

# Pecyn Dogfen Gyhoeddus

Gareth Owens LL.B Barrister/Bargyfreithiwr  
Chief Officer (Governance)  
Prif Swyddog (Llywodraethu)



Swyddog Cyswllt:  
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At: Sally Ellis (Cadeirydd)

Y Cyngorwyr: Bernie Attridge, Glyn Banks, Allan Marshall, Ryan McKeown,  
Andrew Parkhurst a Linda Thomas

**Aelodau Cyfetholedig:**

Allan Rainford a Rev Brian Harvey

19 Ionawr 2023

Annwyl Gynghorydd

**RHYBUDD O GYFARFOD RHITHIOL**  
**PWYLLGOR LLYWODRAETHU AC ARCHWILIO**  
**DYDD MERCHER, 25AIN IONAWR, 2023 AM 10.00 AM**

Yn gywir

Steven Goodrum  
Rheolwr Gwasanaethau Democratiadd

Bydd y cyfarfod yn cael ei ffrydio'n fyw ar wefan y Cyngor. Bydd y ffrydio byw yn dod i ben pan fydd unrhyw eitemau cyfrinachol yn cael eu hystyried. Bydd recordiad o'r cyfarfod ar gael yn fuan ar ôl y cyfarfod ar <https://flintshire.publici.tv/core/portal/home>

Os oes gennych unrhyw ymholiadau, cysylltwch ag aelod o'r Tîm Gwasanaethau Democrataidd ar 01352 702345.

## R H A G L E N

### 1 YMDDIHEURIADAU

**Pwrpas:** I dderbyn unrhyw ymddiheuriadau.

### 2 DATGAN CYSYLLTIAD (GAN GYNNWYS DATGANIADAU CHWIPIO)

**Pwrpas:** I dderbyn unrhyw ddatganiad o gysylltiad a chynghori'r Aelodau yn unol a hynny.

### 3 COFNODION (Tudalennau 5 - 14)

**Pwrpas:** I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 14 Tachwedd 2022.

### 4 DATGANIAD CYFRIFON 2021/22 (Tudalennau 15 - 182)

Adroddiad Rheolwr Cyllid Corfforaethol -

**Pwrpas:** Cyflwyno fersiwn derfynol wedi'i harchwilio o Ddatganiad Cyfrifon 2021/22 i gael eu cymeradwyo.

### 5 STRATEGAETH NEWID HINSAWDD (Tudalennau 183 - 216)

Adroddiad Prif Swyddog (Cynllunio, Amgylchedd ac Economi) - Cydgyfrifoldeb

**Pwrpas:** Adrodd ar y Strategaeth Newid Hinsawdd ar gyfer 2022-2030.

### 6 LLYTHYR BLYNYDDOL 2021-22 OMBWDSMON GWASANAETHAU CYHOEDDUS CYMRU A CHWYNION A WNAED YN ERBYN GWASANAETHAU CYNGOR SIR Y FFLINT YN HANNER CYNTAF 2022-23 (EBRILL-MEDI 2022) (Tudalennau 217 - 240)

Adroddiad Prif Swyddog (Llywodraethu) - Aelod Cabinet Llywodraethu a Gwasanaethau Corfforaethol gan gynnwys lechyd a Diogelwch ac Adnoddau Dynol

**Pwrpas:** Rhannu Llythyr Blynyddol 2021-22 Ombwdsmon Gwasanaethau Cyhoeddus Cymru. Mae'r adroddiad hefyd yn rhoi trosolwg o'r cwynion a dderbyniwyd gan bob portffolio o'r Cyngor rhwng y cyfnod 1 Ebrill - 30 Medi 2022.

### 7 STRATEGAETH RHEOLI TRYSORLYS 2023/24 - DATGANIAD POLISI RHEOLI TRYSORLYS, ARFERION AC ATODLENNI 2023 I 2026 A DIWEDDARIAD CHWARTEROL 3 2022/23 (Tudalennau 241 - 328)

Adroddiad Rheolwr Cyllid Corfforaethol -

**Pwrpas:** (1) Cyflwyno Strategaeth Rheoli Trysorlys drafft 2023/24 i'r Aelodau er mwyn derbyn eu sylwadau a'u hargymhellion cyn ei chyflwyno i'r Cabinet ei chymeradwyo (2) Darparu'r wybodaeth ddiweddaraf ar faterion yn ymwneud â Pholisi, Strategaeth ac Arferion Rheoli Trysorlys y Cyngor hyd at ddiwedd mis Rhagfyr 2022.

**8 COD LLYWODRAETHU CORFFORAETHOL (Tudalennau 329 - 356)**

Adroddiad Prif Weithredwr -

**Pwrpas:** Cadarnhau'r adolygiad o'r Cod Llywodraethu Corfforaethol.

**9 ADRODDIAD CYNNYDD ARCHWILIO MEWNOL (Tudalennau 357 - 400)**

Adroddiad Rheolwr Archwilio Mewnol, Perfformiad a Rheoli Risg -

**Pwrpas:** Cyflwyno diweddariad i'r Pwyllgor ar gynnydd yr Adran Archwilio Mewnol.

**10 OLRHAIN GWEITHRED Y PWYLLGOR LLYWODRAETHU AC ARCHWILIO (Tudalennau 401 - 406)**

Adroddiad Rheolwr Archwilio Mewnol, Perfformiad a Rheoli Risg -

**Pwrpas:** Rhoi gwybod i'r Pwyllgor am y camau gweithredu sy'n codi o'r pwyntiau a godwyd mewn cyfarfodydd Pwyllgor Llywodraethu ac Archwilio blaenorol.

**11 RHAGLEN GWAITH I'R DYFODOL (Tudalennau 407 - 412)**

Adroddiad Rheolwr Archwilio Mewnol, Perfformiad a Rheoli Risg -

**Pwrpas:** Ystyried Rhaglen Gwaith i'r Dyfodol yr Adran Archwilio Mewnol.

**DEDDF LLYWODRAETH LEOL (MYNEDIAD I WYBODAETH) 1985 - YSTYRIED GWAHARDD Y WASG A'R CYHOEDD**

Mae'r eitem a ganlyn yn cael ei hystyried yn eitem eithriedig yn rhinwedd Paragraff(au) 12, 14 Rhan 4 Atodiad 12A o Ddeddf Llywodraeth Leol 1972 (fel y cafodd ei diwygio).

Mae'r adroddiad yn cynnwys data personol ac mae'r budd cyhoeddus o ddal y wybodaeth yn ôl yn drech na'r budd cyhoeddus o'i datgelu.

**12 YSGOL GYNRADD DRURY - ADRODDIAD DILYNOL RHEOLAETH ARIANNOL (Tudalennau 413 - 426)**

Adroddiad Rheolwr Archwilio Mewnol, Perfformiad a Rheoli Risg -

**Pwrpas:** Rhoi'r wybodaeth ddiweddaraf am gynnydd ar gamau gweithredu o'r adroddiad Archwilio Mewnol o Ysgol Gynradd Drury.

***Sylwch, efallai y bydd egwyl o 10 munud os yw'r cyfarfod yn para'n hirach na dwy awr.***

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 3

## **GOVERNANCE AND AUDIT COMMITTEE** **14 NOVEMBER 2022**

Minutes of the Governance and Audit Committee of Flintshire County Council held as a remote attendance meeting on Monday, 14 November 2022

**PRESENT:** Sally Ellis (Chair)

Councillors: Glyn Banks, Allan Marshall, Andrew Parkhurst and Linda Thomas

Co-opted members: Reverend Brian Harvey and Allan Rainford

**APOLOGIES:** Councillor Bernie Attridge, Councillor Ian Roberts (Leader of the Council and Cabinet Member for Education, Welsh Language, Culture and Leisure) and the Corporate Manager - Capital Programme and Assets

**IN ATTENDANCE:** Councillor Paul Johnson (Cabinet Member for Finance, Inclusion and Resilient Communities), Councillor Billy Mullin (Cabinet Member for Governance and Corporate Services), Chief Executive, Chief Officer (Governance), Internal Audit, Performance & Risk Manager, Corporate Finance Manager and Strategic Finance Managers

Gwilym Bury and Mike Whiteley from Audit Wales

For minute number 44

Chief Officer (Housing and Communities) and Strategic Housing & Delivery Programme Manager

### **33. DECLARATIONS OF INTEREST**

On minute number 44 (Maes Gwern Contractual Arrangements), Councillor Glyn Banks declared a personal and prejudicial interest as a Board member of NEW Homes and left the meeting prior to the item.

### **34. MINUTES**

The minutes of the meeting held on 28 September 2022 were approved, as moved and seconded by Councillors Linda Thomas and Andrew Parkhurst.

#### **RESOLVED:**

That the minutes be approved as a correct record.

### **35. UPDATE ON THE STATEMENT OF ACCOUNTS 2021/22**

The Corporate Finance Manager presented a report to update the Committee on the current position with the Council's Statement of Accounts for the 2021/22 financial year.

As reported in July, the draft accounts had been completed and submitted to Welsh Government (WG) within the deadline and the statutory deadline for

publishing the final audited accounts had been extended to 30 November 2022. Whilst audit work was now substantially complete, a national issue around the accounting of infrastructure assets had resulted in a risk that all local authority financial statements could be subject to qualified audit opinions in this area. Finance officers and Audit Wales were of the view that an opinion could not be given on the accounts and that formal approval of the accounts should be deferred until the issue of infrastructure assets was resolved.

When asked by the Chair, the Corporate Finance Manager confirmed that the infrastructure assets issue was a presentational matter with no significant impact on the accounts.

In providing background, the Strategic Finance Manager advised that WG was currently developing a statutory override as a temporary solution and would be extending the statutory deadline for publishing the final accounts to the end of January 2023 following consultation.

These comments were echoed by Mike Whiteley of Audit Wales who confirmed ongoing engagement with Finance officers on the matter. On progress with the audit of the accounts, he advised that there were no significant issues and that revised figures for asset valuations (discussed at previous meetings) had been appropriately reflected within the accounts.

In response to concerns raised by Allan Rainford, Mike Whiteley provided clarity on the approach to completing the audit in the event that the matter could not be resolved. However, it was likely that a statutory override would be identified and the Chartered Institute of Public Finance and Accountancy (CIPFA) was seeking an acceptable solution with minimal impact on local authorities.

On a query from Councillor Andrew Parkhurst, clarification was given on the definition of infrastructure assets within the accounts.

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

### **RESOLVED:**

That the Committee notes the report and the reasons for deferring the approval of the Statement of Accounts 2021/22.

### **36. TREASURY MANAGEMENT MID-YEAR REVIEW 2022/23 AND QUARTER 2 UPDATE**

The Strategic Finance Manager presented the draft Treasury Management mid-year report for 2022/23 for recommendation to Cabinet, together with an update on Quarter 2 activities for information.

A summary of the key points referred to the impact of global events, changes in the UK government and an update on interest rates. It was confirmed that the treasury management function had operated fully within the limits set out

in the strategy for 2022/23. The quarterly update detailed the position on investments and borrowing as at 30 September 2022, with a reminder of the forthcoming annual training session.

Allan Rainford commented that compliance with approved prudential indicators provided some assurance for Cabinet during the period. In response to questions, the Strategic Finance Manager said that the Council's overall under-borrowing position remained unchanged and that decisions were based on requirements, available resources and spreading risk. He provided clarification on investment counterparties and the recent stabilising of Public Works Loans Board (PWLB) rates following a period of volatility.

In response to a question on the importance of robust monitoring arrangements for cashflow forecasting whilst working remotely, the Corporate Finance Manager gave assurance of regular liaison across departments to help plan any future borrowing requirements. He reported an emerging significant underspend in-year due to no borrowing undertaken at this stage of the financial year and additional investment income from rising interest rates.

As requested by Councillor Andrew Parkhurst, details of credit agency ratings for each of the investment counterparties would be shared with the Committee.

The recommendation, which was amended to reflect the debate, was moved and seconded by Allan Rainford and Rev Brian Harvey.

### **RESOLVED:**

That the Committee notes the draft Treasury Management Mid-Year Report 2022/23 and confirms the following matters to be drawn to the attention of Cabinet at its meeting in December 2022:

- To note compliance with the Council's approved prudential indicators;
- Key considerations informing borrowing decisions; and
- Stability of PWLB rates which had been subject to fluctuations.

### **37. ASSET DISPOSAL AND CAPITAL RECEIPTS GENERATED 2021/22**

The Chief Executive presented the annual report summarising land disposals and realisation of capital receipts during 2021/22 and comparison with previous years.

The Committee was reminded that capital receipts were aligned to contribute towards the Council's programme of capital schemes across all portfolios. The update noted the continued reduction in Welsh Government support for capital expenditure, an overview of the disposal strategy and the Council's current policy on agricultural estates.

On the appendix, Councillor Andrew Parkhurst acknowledged that the detailed breakdown of disposals should remain unpublished but asked if these could be shared privately with the Committee to enable it to undertake its role.

The Chief Executive explained the need to maintain confidentiality as some cases involved ongoing negotiations which may affect the Council's position and outcomes. He advised that local Members were consulted on disposals within their wards.

Councillor Parkhurst also sought assurance on the segregation of duty between the Capital and Asset Programme Board and the decision-makers in order to maintain independence. The Chief Executive explained that the role of the Programme Board as a non-decision making body was to take a view on disposal methods and that independence was provided by the Council's independent Valuation team in challenging external valuations and making the ultimate decision. Explanation was also given on the involvement of Cabinet in the process in certain circumstances.

Councillor Parkhurst expressed his disappointment in the response to his request for the details of capital receipts to be shared privately with the Committee.

During discussion, Councillor Glyn Banks asked about the potential for future links between the Programme Board and this Committee. The Chief Officer (Governance) advised that the annual report reflected a balance in reporting some detail whilst maintaining commercial confidentiality on those transactions. He clarified that Committee members were entitled to request background information on restricted reports on the understanding that the information was being shared in strict confidence. Officers gave assurance of the obligation to maximise best value for the Council on the disposal of assets.

In response, Councillor Parkhurst requested that members of the Committee be given access to a breakdown of more information on the capital receipts summarised in the appendix on a confidential basis.

In referring to the original intent of the item being brought to the Committee some years ago, the Chief Executive confirmed that further detail would be made available to the Committee on the clear understanding that it remained confidential.

The recommendation was moved and seconded by Councillors Glyn Banks and Allan Marshall.

**RESOLVED:**

That the report be noted.



### **38. FINANCIAL PROCEDURE RULES**

The Corporate Finance Manager presented the updated Financial Procedure Rules (FPRs) for endorsement and onward submission to the Constitution and Democratic Services Committee for recommendation to County Council. She provided an overview of the two main changes to simplify the process for the recovery of salary overpayments and to amend the thresholds for approving write-off of bad debts, along with minor changes detailed in the report.

In response to questions from Allan Rainford, the Strategic Finance Manager provided clarification on changes arising from the 2019 review and said that officers could take into consideration the budget virement levels set by other authorities for comparison in future reviews. On the write-off of bad debts, she gave assurance that a rigorous process was in place for the Revenues team to maximise debt recovery.

On queries from Councillor Glyn Banks, the Strategic Finance Manager agreed to provide further clarification on reference to accepting a 'true copy' of a proper valid invoice and the checking of goods and services under 'Key Controls'.

In response to a question from Rev Brian Harvey, officers explained the approach to raising awareness of responsibilities across the authority through liaison with portfolio management teams, training sessions and reinforced through Internal Audit work. Assurance was also given on regular monitoring and escalation process for breaches.

Following a question by the Chair, the Strategic Finance Manager provided clarification on employee contractual clauses and the simplified process to recover salary overpayments.

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

#### **RESOLVED:**

That the updated Financial Procedure Rules be endorsed and recommended for submission to Council on 24 January 2023 for approval following consideration by the Constitution and Democratic Services Committee on 12 January.

### **39. RISK MANAGEMENT FRAMEWORK**

The Internal Audit, Performance & Risk Manager presented a report on the revised Risk Management Framework following an update to address the findings of the Internal Audit review.

Following changes to improve clarity on roles and responsibilities, scoring and escalation processes, work was ongoing to review all portfolio risks and further develop the performance and risk management system (InPhase) prior to the final framework being rolled out to services in conjunction with training and awareness sessions, and independent challenge of portfolio risks.

In response to questions from Allan Rainford, officers provided clarification on the introduction of risk dashboards to demonstrate risk profile and the process for reporting operational risks to Cabinet including examples of escalation and mitigation.

Following comments by the Chair, it was agreed that the document would be updated to include the referral of red risks to relevant Overview & Scrutiny committees within the roles and responsibilities of the Governance & Audit Committee, and to include reference to risks from Alternative Delivery Models and other partnerships being captured on Inphase. Explanation was given on the role of the Performance team in monitoring compliance through a range of actions to engage and raise awareness of responsibilities with management teams and the wider workforce. The aim was to share an example of the dashboard information in January 2023 to give assurance to the Committee.

The recommendation, as amended, was supported.

**RESOLVED:**

That with the inclusion of the two changes, the Risk Management Framework V3 2022 be approved.

**40. GOVERNANCE & AUDIT COMMITTEE ANNUAL REPORT**

The Chair introduced the Committee's Annual Report for 2021/22 for endorsement prior to submission for approval at Council. In meeting best practice requirements, the Annual Report would provide assurance to the Council on demonstrating specific areas of accountability.

In summarising the key points, the Chair thanked the Internal Audit, Performance & Risk Manager for drafting the report on which she had expanded upon areas relating to the Committee's role in improving performance which would be further explored in the forthcoming self-assessment exercise.

Her comments were supported by Rev Brian Harvey who spoke about the Committee considering how best to maximise its crucial role in 'being more effective and visible as an agent for improvement within the Council', which was an outstanding action in the report.

On a question from Councillor Andrew Parkhurst, the Chair confirmed that she had no areas of concern to raise for the period covered in the report.

In welcoming the report, Councillor Paul Johnson praised the work undertaken by the Committee and across the Council to achieve the Internal Audit opinion on the overall effectiveness of the Council's framework of governance, risk management and internal control.

The recommendation was moved by Councillor Linda Thomas and seconded by Rev Brian Harvey.

**RESOLVED:**

That the Annual Report for 2021/22 be endorsed prior to its submission to Council for approval on 13 December 2022.

**41. ACTION TRACKING**

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

The recommendation was moved by Councillor Glyn Banks and seconded by Allan Rainford.

**RESOLVED:**

That the report be accepted.

**42. FORWARD WORK PROGRAMME**

The Internal Audit, Performance & Risk Manager presented the current Forward Work Programme for consideration, including movements since the last report. In response to a query by Councillor Andrew Parkhurst, she provided clarification on the reporting cycle for anti-fraud policies.

The recommendations in the report were moved and seconded by Councillors Andrew Parkhurst and Glyn Banks.

**RESOLVED:**

- (a) That the Forward Work Programme 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.

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

The exclusion of the press and public was moved and seconded by Allan Rainford and Councillor Andrew Parkhurst.

Having declared a prejudicial interest, Councillor Glyn Banks left the meeting at this point.

**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 13 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

#### **44. MAES GWERN CONTRACTUAL ARRANGEMENTS**

The Committee received a report on progress with the action plan relating to recommendations arising from the Internal Audit report from October 2021 on contractual arrangements for the Maes Gwern development. The report had been requested following the Committee's concerns about the lack of progress with actions, particularly those rated as red risks.

The Strategic Housing & Delivery Programme Manager reported that whilst some work was ongoing, significant progress had been made to ensure a robust framework for measuring and recording incoming information. He shared detailed information on revised timescales for the full value of the capital receipt and the resolution of contractual arrangements.

The Chief Executive provided background context to the scale and complexity of the project and gave assurance that learning principles would be taken forward for the future.

The Chief Officer (Governance) said that a key element of learning was to adapt processes to reflect management recommendations arising from Internal Audit reviews. His suggestion for a collective post-project review meeting to capture learning was supported by the Chair who proposed this as an additional recommendation.

In response to questions from Allan Rainford, officers envisaged that the full value of the capital receipt would be received within the deadline quoted and shared information on current resources within the Finance team.

In response to questions from Councillor Andrew Parkhurst, the Strategic Finance Manager provided clarification on capital receipts received to date for which there was an audit trail. Councillor Parkhurst reiterated his earlier concerns about the Committee having sufficient oversight of information so that it could be assured that process was being followed. During discussion on these concerns, officers provided clarity on the teams involved in the process on which there was segregation of duty. On concerns about transparency of information, officers agreed to give further consideration as to how best to report capital receipts involving ongoing projects without breaching commercial confidence.

The Internal Audit, Performance & Risk Manager advised of a forthcoming meeting with the Housing officers to establish whether any of the actions could be closed down.

The recommendations, as amended, were moved and seconded by Rev Brian Harvey and Allan Rainford.

As requested by the Chair, a brief update on progress with the action plan would be scheduled for the January meeting.

**RESOLVED:**

- (a) That the report and the updated timetable for the remaining actions be noted; and
- (b) That a cross-authority post-project review meeting be held to ensure that all learning is drawn out and captured.

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

None.

The meeting started at 10am and finished at 12.25pm

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**Chair**

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 4



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 25 January 2023
<b>Report Subject</b>	Statement of Accounts 2021/22
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report presents the:

- Final version of the Council's Statement of Accounts 2021/22, incorporating those changes agreed with Audit Wales during the course of the audit, for approval
- Audit Wales' report on the audit of the Statement of Accounts 2021/22
- Letter of Representation for the Council

### RECOMMENDATIONS

1	Members are requested to approve the final version of the Statement of Accounts 2021/22.
2	Members are requested to consider the Audit Wales report - Audit of the Financial Statements 2021/22 – Flintshire County Council.
3	Members are requested to approve the Letter of Representation.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
1.01	The Governance and Audit Committee received the draft Statement of Accounts 2021/22 on 27 July, for information only at that stage. The Accounts and Audit (Wales) Regulations 2018 specify the statutory deadline for the approval of the Statement as 31 July, however the framework set by Welsh Government extended this to 30 November. This was extended further to 31 January, largely due to a technical accounting issue arising on infrastructure assets.
1.02	The audit of the Statement of Accounts 2021/22 is now substantially complete, although the audit continues up until the point at which the accounts are signed off by the auditors (Audit Wales).
1.03	A copy of the Statement of Accounts 2021/22, incorporating those changes agreed with Audit Wales during the course of the audit and up to the point of writing this report, is attached at Appendix 1.
	<b><u>Audit Wales' audit of the Statement of Accounts</u></b>
1.04	Under the International Standards on Auditing (ISA) 260, Audit Wales is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for the Council is the Governance and Audit Committee.
1.05	Officers from Audit Wales will be in attendance at the meeting to present their findings. This is in the form of a written report which can be found at Appendix 2 to this report.
1.06	It is usual within the course of the audit of any organisation that items will be brought to the attention of the body being audited. Audit findings have been discussed in detail with Audit Wales and, where considered appropriate, adjustments have been made to the draft Statement of Accounts.
1.07	The Audit Wales report includes details of any significant issues arising from the audit, together with recommendations and a summary of adjustments made to the draft Statement of Accounts.
1.08	A Letter of Representation is included at Appendix 3. This requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to Audit Wales that all the information contained within the Statement of Accounts is true and accurate and that all information has been disclosed.
	<b><u>Timscales and the impact of COVID-19</u></b>
1.09	The statutory deadline for producing the draft Statement of Accounts for 2021/22 was 31 May 2022, however, due to the ongoing challenges presented by the pandemic, Welsh Government made use of the flexibility within the regulations to extend the deadline to 31 August.



1.10	As with the previous financial year, the pandemic had a significant impact on producing this year's Accounts, in particular, in ensuring the correct accounting treatment of the significant grants the Council has received and paid out during the year. Therefore, to ensure the quality of the Accounts was maintained, the Accounts were submitted for audit on 6 July and, to comply with regulations, a notice was published explaining the reason for the delay.
1.11	The statutory deadline for publishing the final audited version was 31 July, however this was initially extended to 30 November by Welsh Government. This was extended further to 31 January, largely due to a technical accounting issue arising on infrastructure assets.
	<b><u>Issues from the 2021/22 accounts</u></b>
1.12	As reported previously, during the year there had been significant movements in build costs, consequently impacting the carrying value of assets. Asset valuations have been revised to ensure the Accounts are not materially misstated as at 31 March 2022.  This has been undertaken along with changes made to the accounting and disclosure of infrastructure assets. CIPFA published an update to the Code in November 2022 which includes a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets, whilst a permanent solution is developed within the Code.
1.13	There were no other significant issues arising during the audit of the 2021/22 Accounts and it is reassuring that Audit Wales are reporting that the Council's Accounts were prepared to a good standard.
	<b><u>Update on the Clwyd Pension Fund Accounts</u></b>
1.14	The Clwyd Pension Fund Statement of Accounts were included in the Clwyd Pension Fund Annual Report for 2021/22, which were considered by the Clwyd Pension Fund Committee on 23 November 2022. The Accounts were approved by Members in line with the required deadline of 1 December.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications as a result of this 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	Actions will be taken in year (2022/23) to address recommendations from Audit Wales' report as outlined within the body of the report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ol style="list-style-type: none"> <li>1. Statement of Accounts 2021/22</li> <li>2. Audit Wales Report – Audit of Financial Statements 2021/22</li> <li>3. Flintshire County Council Letter of Representation</li> </ol>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<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>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<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>Materiality:</b> A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p><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>

# STATEMENT OF ACCOUNTS

**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 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 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 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 were £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 (DRC) 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. During the year there have been significant movements in build costs, consequently impacting the carrying value of assets. An indexation has been applied to existing asset valuations to ensure the Accounts are not materially misstated as at 31<sup>st</sup> March 2022. This exercise has been carried out for the Council's DRC assets and council dwellings using data sourced from the Building Cost Information Service (BCIS) and Land Registry.

### 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 was presented to Cabinet in the summer, on 12<sup>th</sup> July 2022, with an update published in the autumn at its meeting on 26<sup>th</sup> September 2022. 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 :**

## 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	7,001	116,104
Governance	9,820	(1,773)	8,047	3,203	11,250
Housing & Assets	13,601	(1,084)	12,517	(6,625)	5,892
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	12,566	89,807
Strategic Programmes	7,018	726	7,744	509	8,253
Streetscene & Transportation	32,513	(1,365)	31,148	7,402	38,550
Central & Corporate Finance	24,061	(1,779)	22,282	(16,994)	5,288
Housing Revenue Account	1,971	(301)	1,670	(28,828)	(27,158)
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>(19,841)</b>	<b>262,159</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>(26,155)</b>	<b>(41,612)</b>
<b>Opening Council Fund / HRA Reserves</b>			<b>45,407</b>		
In Year Revenue Surplus / (Deficit)					
Council Fund (CF)			17,127		
Housing Revenue Account (HRA)			(1,669)		
<b>Closing Council Fund / HRA Reserves</b>			<b>60,865</b>		

\*Separated from the Council on 1st April 2021 to become an independent charitable trust – Theatr Clwyd Trust Ltd.

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>
<b>Opening Council Fund / HRA Reserves</b>			<b>27,207</b>		
In Year Revenue Surplus / (Deficit)					
Council Fund (CF)			14,181		
Housing Revenue Account (HRA)			4,019		
<b>Closing Council Fund / HRA Reserves</b>			<b>45,407</b>		

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## 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		158,200	(42,096)	116,104	147,967	(33,705)	114,262
Governance		15,095	(3,845)	11,250	13,427	(3,320)	10,107
Housing & Assets		43,511	(37,619)	5,892	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		125,419	(35,612)	89,807	109,356	(30,926)	78,430
Strategic Programmes		10,733	(2,480)	8,253	9,942	(1,341)	8,601
Streetscene & Transportation		71,570	(33,020)	38,550	70,443	(32,818)	37,625
Central & Corporate Finance		8,412	(3,124)	5,288	8,259	(2,352)	5,907
Housing Revenue Account		11,061	(38,219)	(27,158)	(564)	(37,979)	(38,543)
Clwyd Theatr Cymru*		0	0	0	4,585	(4,834)	(249)
<b>Cost of services</b>		<b>466,771</b>	<b>(204,612)</b>	<b>262,159</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>(41,612)</b>			<b>(51,102)</b>
(Surplus)/deficit arising on revaluation of non-current assets				(115,517)			(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>(245,475)</b>			<b>(38,754)</b>

\*Separated from the Council on 1st April 2021 to become an independent charitable trust – Theatr Clwyd Trust Ltd.

## 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	11,338	30,275	0	0	41,613	203,863	245,476
Adjustments between accounting and funding basis under regulations	7 5,789	(31,944)	2,468	617	(23,070)	23,070	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>226,933</b>	<b>245,476</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>246,726</b>	<b>340,592</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

		31 March 2022		31 March 2021	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>8</b>				
Council dwellings		274,122		232,242	
Other land and buildings		454,643		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>929,057</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>972,531</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>340,592</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	226,902		117,058	
Capital Adjustment Account	22	393,289		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>246,726</b>		<b>19,793</b>
<b>TOTAL RESERVES</b>			<b>340,592</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		41,612		51,102	
Adjustment to surplus or deficit on the provision of services for non-cash movements		65,962		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>	
<b>Net cash flows from operating activities</b>	<b>23</b>		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>	<b>15</b>		<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			
	Adjustments for Capital Purposes	Adjustments for Employee Benefit Purposes	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Note	a	b	c	
Chief Executive's	0	178	0	178
Education & Youth	4,554	3,532	(1,085)	7,001
Governance	1,946	712	545	3,203
Housing & Assets	4,066	459	(11,150)	(6,625)
People & Resources	0	675	(2)	673
Planning, Environment & Economy	1,130	959	(1,015)	1,074
Social Services	9,376	3,649	(459)	12,566
Strategic Programmes	3,378	(2,558)	(311)	509
Streetscene & Transportation	7,096	1,395	(1,089)	7,402
Central & Corporate Finance	(665)	1,946	(18,275)	(16,994)
Housing Revenue Account	(6,403)	693	(23,118)	(28,828)
Clwyd Theatr Cymru*	0	0	0	0
<b>Cost of services</b>	<b>24,478</b>	<b>11,640</b>	<b>(55,959)</b>	<b>(19,841)</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>(17,182)</b>	<b>21,078</b>	<b>(30,051)</b>	<b>(26,155)</b>

\*Separated from the Council on 1st April 2021 to become an independent charitable trust – Theatr Clwyd Trust Ltd.

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

\*Separated from the Council on 1st April 2021 to become an independent charitable trust – Theatr Clwyd Trust Ltd.

### 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	24,540	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>519,870</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>(41,612)</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	2020/21
	£000	£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	2020/21
	£000	£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	
	£000	£000	£000	£000	£000
<b>2021/22</b>					
<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	8,614	(6,464)	0	0	(2,150)
Revaluation losses on Property, Plant and Equipment	17,881	62	0	0	(17,943)
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>5,789</b>	<b>(31,944)</b>	<b>2,468</b>	<b>617</b>	<b>23,070</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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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. During the year there have been significant movements in build costs, consequently impacting the carrying value of assets. An indexation has been applied to existing asset valuations to ensure the Accounts are not materially misstated as at 31<sup>st</sup> March 2022. This exercise has been carried out for the Council's DRC assets and council dwellings using data sources from the Building Cost Information Service (BCIS) and Land Registry.

#### Movements 2021/22

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1st April, 2021	254,253	392,183	33,140	7,283	4,902	21,082	712,843
Additions and Acquisitions	20,756	21,814	5,963	0	19	7,493	56,045
Revaluation increases / (decreases) recognised in the Revaluation Reserve	14,223	97,456	0	(104)	0	0	111,575
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,970)	(54,497)	0	(166)	0	0	(69,633)
Assets Derecognised	(81)	(1,725)	(2,348)	(243)	0	0	(4,397)
Reclassifications	0	(429)	0	484	0	0	55
Other movements in cost or valuation	0	16,450	0	0	0	(16,450)	0
At 31st March 2022	<b>274,181</b>	<b>471,252</b>	<b>36,755</b>	<b>7,254</b>	<b>4,921</b>	<b>12,125</b>	<b>806,488</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April, 2021	(22,011)	(60,943)	(14,981)	(1,345)	0	0	(99,280)
Depreciation charge	(4,968)	(13,327)	(4,541)	(34)	0	0	(22,870)
Depreciation written out to the Revaluation Reserve	97	8,080	0	23	0	0	8,200
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,999	41,799	0	0	0	0	51,798
Impairments written out to the Revaluation Reserve	10	682	0	244	0	0	936
Impairments recognised in the Revaluation Reserve	(31)	(5,164)	0	0	0	0	(5,195)
Reversal of Impairments recognised in the Surplus/Deficit	0	1,645	0	16	0	0	1,661
Impairments written out to Surplus/Deficit on the Provision of Services	16,845	8,727	0	(13)	0	0	25,559
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Assets Derecognised	0	1,725	2,348	0	0	0	4,073
Assets reclassified (to)/from Held for Sale	0	167	0	(265)	0	0	(98)
At 31st March 2022	<b>(59)</b>	<b>(16,609)</b>	<b>(17,174)</b>	<b>(1,374)</b>	<b>0</b>	<b>0</b>	<b>(35,216)</b>
Balance Sheet at 31st March 2022	274,122	454,643	19,581	5,880	4,921	12,125	771,272
Balance Sheet at 1st April 2021	232,242	331,240	18,159	5,938	4,902	21,082	613,563
<b>Nature of Asset Holding</b>							
Owned	274,122	454,643	16,987	5,880	4,921	12,125	768,678
Finance Lease	0	0	2,594	0	0	0	2,594
At 31st March 2022	<b>274,122</b>	<b>454,643</b>	<b>19,581</b>	<b>5,880</b>	<b>4,921</b>	<b>12,125</b>	<b>771,272</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2020/21

	Council Dwellings & Garages  £000	Other Land & Buildings  £000	Vehicles, Plant, Furniture & Equipment  £000	Surplus Assets  £000	Community Assets  £000	Assets under Construction  £000	Total  £000
<b>Cost or Valuation</b>							
At 1st April, 2020	355,577	385,673	26,167	6,320	4,789	7,002	785,528
Additions and Acquisitions	15,868	6,987	7,621	0	113	17,547	48,136
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	3,304	0	138	0	0	3,442
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(118,984)	(321)	0	(808)	0	0	(120,113)
Assets Derecognised	0	(1,086)	(2,257)	(389)	0	0	(3,732)
Reclassifications	0	(2,411)	242	2,022	0	0	(147)
Other movements in cost or valuation	1,792	37	1,367	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>4,902</b>	<b>21,082</b>	<b>712,843</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1st April, 2020	(156,255)	(48,398)	(14,043)	(283)	0	0	(218,979)
Depreciation charge	(5,073)	(12,585)	(3,195)	(48)	0	0	(20,901)
Depreciation written out to the Revaluation Reserve	0	4,174	0	54	0	0	4,228
Depreciation written out to the Surplus/Deficit on the Provision of Services	25,216	154	0	0	0	0	25,370
Impairments written out to the Revaluation Reserve	0	877	0	0	0	0	877
Impairments recognised in the Revaluation Reserve	0	(3,713)	0	(622)	0	0	(4,335)
Reversal of Impairments recognised in the Surplus/Deficit	15,047	771	0	0	0	0	15,818
Impairments written out to Surplus/Deficit on the Provision of Services	115,914	(114)	0	78	0	0	115,878
Impairments recognised in the Surplus/Deficit on the Provision of Services	(16,860)	(3,421)	0	(298)	0	0	(20,579)
Assets Derecognised	0	1,086	2,257	0	0	0	3,343
Assets reclassified (to)/from Held for Sale	0	226	0	(226)	0	0	0
At 31st March 2021	<b>(22,011)</b>	<b>(60,943)</b>	<b>(14,981)</b>	<b>(1,345)</b>	<b>0</b>	<b>0</b>	<b>(99,280)</b>
Balance Sheet at 31st March 2021	<b>232,242</b>	<b>331,240</b>	<b>18,159</b>	<b>5,938</b>	<b>4,902</b>	<b>21,082</b>	<b>613,563</b>
Balance Sheet at 1st April 2020	<b>199,322</b>	<b>337,275</b>	<b>12,124</b>	<b>6,037</b>	<b>4,789</b>	<b>7,002</b>	<b>566,549</b>
<b>Nature of Asset Holding</b>							
Owned	232,242	331,240	15,020	5,938	4,902	21,082	610,424
Finance Lease	0	0	3,139	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>4,902</b>	<b>21,082</b>	<b>613,563</b>



## 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.

The Code requires that where a component of an infrastructure asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Council have been unable to comply with the requirement to assess the net book value of the replaced component and will have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced.

CIPFA published an update to the Code in November 2022 which includes a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

<b>Infrastructure Assets</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
At 1st April	157,494	157,021
Additions	6,856	6,865
Derecognition	0	0
Depreciation	(6,565)	(6,392)
Impairment	0	0
Other movements in cost	0	0
At 31st March	<u>157,785</u>	<u>157,494</u>
Infrastructure Assets	157,785	157,494
Other Property, Plant & Equipment Assets	<u>771,272</u>	<u>613,563</u>
<b>Total Property, Plant &amp; Equipment Assets</b>	<b><u>929,057</u></b>	<b><u>771,057</u></b>

The Council has determined in accordance with Regulation 24L of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

### 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:

	<b>Quoted prices in active markets for identical assets (Level 1) £000</b>	<b>Other significant observable inputs (Level 2) £000</b>	<b>Significant unobservable inputs (Level 3) £000</b>	<b>Fair Value as at 31 March £000</b>
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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 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>

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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 £000	31 March 2021 £000
NEWHomes	3,730	3,592
	<u>3,730</u>	<u>3,592</u>

### 12. LONG TERM DEBTORS

	31 March 2022 £000	31 March 2021 £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>15,030</u>	<u>11,816</u>

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## 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 Council. 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	126,929		8,751	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(11,412)</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		115,517		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>		<b><u>226,902</u></b>		<b><u>117,058</u></b>

#### 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>		<b><u>(5,011)</u></b>		<b><u>(5,371)</u></b>

## 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		(2,150)		(9,290)
- Revaluation losses on PP&E		(17,943)		(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
		(22,938)		(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		(17,265)		(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>393,289</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 are as follows:

	2021/22 £000	2020/21 £000
Payments	511	335
Receipts	74	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)*	511	0	74	0	162	0

\*Amounts greater than £1m received in the form of grants from Welsh Government, administered by GwE, can be found in Note 18 (Pupil Deprivation Grant, Education Improvement Grant and GwE Contributions)

## 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 Performance Audit Work	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:

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## 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	2020/21
	£000	£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	2020/21
	£000	£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
	19,889	11,204	8,685
<b>Housing Revenue Account</b>			
SHARP			
- Ffordd Hiraethog & Ffordd Pandarus, Mostyn	4,958	1,851	3,107
	4,958	1,851	3,107
	24,847	13,055	11,792

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
	3,339	(587)	0	3,926
Finance costs payable in future years	799	(324)	0	1,123
Minimum lease payments	4,138	(911)	0	5,049

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
	<b>Net</b>	<b>Net</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
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
	<b>£000</b>	<b>£000</b>
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 Cost		Measured at Amortised Cost	
	£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.

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£3m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£2m	Unlimited
Building societies (unsecured) *	13 months	£2m	Unlimited
Registered providers (unsecured) *	5 years	£2m	Unlimited
Money market funds *	n/a	£3m	Unlimited
Strategic pooled funds	n/a	£1m	£5m
Real estate investment trusts	n/a	£1m	£1m
Other investments *	5 years	£2m	£10m

\* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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.

#### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£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><u>44,808</u></b>	<b><u>37,982</u></b>	<b><u>859</u></b>	<b><u>958</u></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><u>88,266</u></b>	<b><u>(13,540)</u></b>	<b><u>80</u></b>	<b><u>(2,949)</u></b>
<b>Net charge to Comprehensive Income and Expenditure -</b>	<b><u>133,074</u></b>	<b><u>24,442</u></b>	<b><u>939</u></b>	<b><u>(1,991)</u></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><u>(22,805)</u></b>	<b><u>(16,811)</u></b>	<b><u>2,062</u></b>	<b><u>2,045</u></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	
					(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	2020/21
	£000	£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	(6,402)	(15,120)
Debt management costs	41	45
Increase in bad debt provision	299	207
<b>Total expenditure</b>	<b>11,061</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>(27,158)</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>(30,275)</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		30,275	37,884
<b>Total comprehensive income and expenditure</b>		<b>30,275</b>	<b>37,884</b>
Adjustments between accounting and funding basis under regulations	7	(31,944)	(33,866)
<b>Increase/(decrease) in year on the HRA</b>		<b>(1,669)</b>	<b>4,019</b>
At 31st March		<b>5,239</b>	<b>6,908</b>

### 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
	<b>7,324</b>	<b>7,320</b>

### 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
	<b>1,610</b>	<b>1,543</b>
	<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
	<b>611</b>	<b>578</b>

## 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	<u>45</u>		<u>43</u>	
<b>Financing and Investment Income and Expenditure</b>		45		43
Net interest expense	<u>483</u>		<u>519</u>	
		<u>483</u>		<u>519</u>
<b>Total HRA Charge</b>		<u><b>2,601</b></u>		<u><b>2,095</b></u>
<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.

2020/21 Group Accounts included Theatr Clwyd Productions Ltd. On 1<sup>st</sup> April 2021 Theatr Clwyd separated from the Council to become an independent charitable trust limited by guarantee – Theatr Clwyd Trust Ltd. The one share of Theatr Clwyd Productions Ltd is now owned by Theatr Clwyd Trust Ltd therefore Theatr Clwyd Productions Ltd no longer falls within the Council's Group Accounts boundary.

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>	<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>
Total comprehensive income and expenditure	14,126	30,275	44,401	203,863	248,264	6,065	254,329
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>11,338</b>	<b>30,275</b>	<b>41,613</b>	<b>203,863</b>	<b>245,476</b>	<b>2,753</b>	<b>248,229</b>
Adjustments between accounting and funding basis under regulations	5,789	(28,859)	(23,070)	23,070	0	0	0
<b>Increase/(decrease) in year</b>	<b>17,127</b>	<b>1,416</b>	<b>18,543</b>	<b>226,933</b>	<b>245,476</b>	<b>2,753</b>	<b>248,229</b>
<b>At 31st March 2022</b>	<b>55,627</b>	<b>38,239</b>	<b>93,866</b>	<b>246,725</b>	<b>340,591</b>	<b>8,170</b>	<b>348,761</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>	<b>24,319</b>	<b>29,567</b>	<b>53,886</b>	<b>3,548</b>	<b>57,433</b>	<b>3,471</b>	<b>60,904</b>
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	153,844	(42,096)	111,748	146,133	(33,698)	112,435
Governance	15,089	(3,779)	11,310	13,424	(3,288)	10,136
Housing & Assets*	43,779	(38,658)	5,121	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	124,385	(35,621)	88,764	108,376	(30,926)	77,450
Strategic Programmes*	17,815	(3,689)	14,126	15,317	(3,139)	12,178
Streetscene & Transportation	71,515	(32,899)	38,616	70,393	(32,754)	37,639
Central & Corporate Finance	8,412	(3,109)	5,303	8,259	(2,352)	5,907
Housing Revenue Account	11,060	(38,219)	(27,159)	(565)	(37,978)	(38,543)
Clwyd Theatr Cymru**	0	0	0	4,078	(4,204)	(126)
<b>Cost of services</b>	<b>468,668</b>	<b>(206,442)</b>	<b>262,226</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>(40,931)</b>			<b>(50,453)</b>
Tax expenses of subsidiary			(182)			(174)
<b>Group (Surplus)/deficit</b>			<b>(41,113)</b>			<b>(50,627)</b>
(Surplus)/deficit arising on revaluation of non-current assets			(115,517)			(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>(246,864)</b>			<b>(37,793)</b>

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

\*\*Separated from the Council on 1st April 2021 to become an independent charitable trust – Theatr Clwyd Trust Ltd.

## 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		274,122		232,242	
Other land and buildings		481,376		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>956,000</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>987,026</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>348,762</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		235,729		125,255	
Capital Adjustment Account		393,289		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>255,553</b>		<b>27,990</b>
<b>TOTAL RESERVES</b>			<b>348,762</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	41,687		51,125	
Adjustment to surplus or deficit on the provision of services for non-cash movements	65,929		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>

\*2021/22 cash and cash equivalents at the beginning of the reporting period (£39,202k) differs from 2020/21 cash and cash equivalents at the end of the reporting period (£39,240k) by £38k. £38k represents cash and cash equivalents held by Theatr Clwyd Productions Ltd which is no longer within the Council's Group Accounts boundary from 1st April 2021.

## 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	274,122	0	0	274,122
Other land and buildings	454,643	26,733	0	481,376
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>929,057</b>	<b>26,733</b>	<b>210</b>	<b>956,000</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 OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

## Opinion on financial statements

I have audited the financial statements of:

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

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council and Flintshire County Council's Group as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

## Basis of opinion

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

## Conclusions relating to going concern

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

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

# INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

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

## **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

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

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

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

# INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the financial officer responsible is responsible for the preparation of the statement of accounts, including Flintshire County Council's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Flintshire County Council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

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

# INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

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

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

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Flintshire County Council and group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
January 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ

ANNUAL GOVERNANCE STATEMENT

2021/22

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

## ANNUAL GOVERNANCE STATEMENT

### What is the purpose of this document?

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

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

The outcome of our assessment identifying areas of best practice and areas for further improvement is details within the document Annual Governance Statement 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 to it:

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

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

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

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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.

## ANNUAL GOVERNANCE STATEMENT

### How has the Annual Governance Statement been prepared?

The initial review of our governance framework was carried out by the Corporate Governance Working Group. This group worked with each corporate Chief Officer and also for some specific governance functions such as finance, human resources and legal. Our approach was based on the seven principles that follow in the main part of this document and were assessed to identify any areas for improvement. Questionnaires were also completed by the 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:

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reviewed the Council's existing governance arrangements against the Local Code of Corporate Governance.

updated the Local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements and the requirements of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities.

assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

The Chief Officer Team, which is led by the Chief Executive, have also considered the 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.

## 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>
Tudalen 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>
192 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
Tudalen 133	<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

- Tudalen 134
- 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

ANNUAL GOVERNANCE STATEMENT

2021/22

Flintshire County Council  
Annual Governance Statement  
Enclosure 2

Tudalen 135

### 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



## 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.

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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.

## ANNUAL GOVERNANCE STATEMENT

### 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.

Tudalen 138

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.

## ANNUAL GOVERNANCE STATEMENT

### 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:**

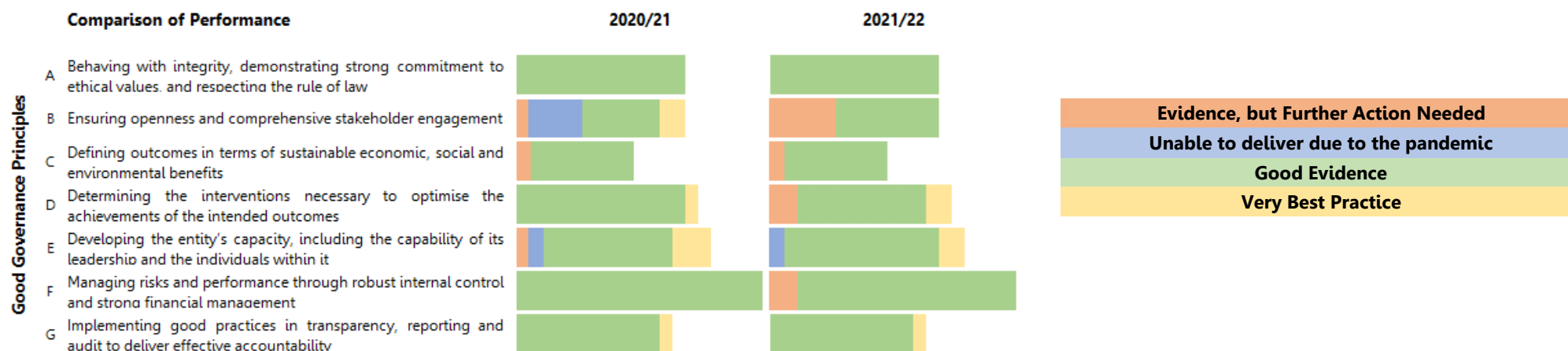
- Indicative funding settlements for 2023/24 and 2024/25 are now known requiring the need to focus on our financial planning requirements over the longer term.
- As part of the above develop the latest Medium Term Financial Strategy and begin considerations early on options for ensuring a sustainable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



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### 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**

## ANNUAL GOVERNANCE STATEMENT

### Key principles of the Corporate Governance Framework

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

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

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

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### Principle B – Ensuring openness and comprehensive stakeholder engagement

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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>

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>



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### 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>	
<b>What has worked well during 2021/22</b>	<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>	<b>Areas identified for Further Improvement</b>
		<ul style="list-style-type: none"> <li>• (C30) Identifying and managing risks to the achievement of outcomes.</li> </ul>

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

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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>

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>

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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>

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

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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>

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>

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### 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>

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### 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>		
Tudalen 150	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.
2	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 FWPs. 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
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

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Ref	Closed Internal Governance & Strategic Issues detailed in 2020/21 AGS	Details
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
11	<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
12	<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
Funding 15/16	<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
	<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
	<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
	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.

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### 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:

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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>



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### 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
<p><b>CF14</b> - Increase in rent arrears impacts on the stability of the Housing Revenue Account (HRA) Business Plan</p>	<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 Mobyssoft ‘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>
<p><b>CF01</b> - Secondary schools are not financially viable due to insufficient base funding and falling pupil numbers</p>	<ul style="list-style-type: none"> <li>• Risk associated with insufficient base budgets for secondary schools included in the MTFS.</li> <li>• Funding Formula review</li> </ul>
<p><b>CF06</b> - Insufficient funding to deliver new archive premises</p>	<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>
<p><b>CF05</b> - An increase in the level of debt owed to the Council.</p>	<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> <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> </ul>

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Strategic Issues for 2021/22	Mitigating Actions
	<ul style="list-style-type: none"> <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>
<p><b>HA06</b> - Impacts on income stream based on delayed/non recovery of housing benefit overpayment</p>	<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>
<p><b>ST24a</b> - Unable to progress with key infrastructure improvement projects due to resilience in staff, contractors and supply chain</p>	<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>
<p><b>SO1</b> - Expenditure on out of county placements increases as placement costs increase in a demand led market</p>	<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>
<p><b>SO29</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</p>	<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>
<p><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</p>	<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

Tudalen 155

**Neal Cockerton – Chief Executive**

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

Mae'r dudalen hon yn wag yn bwrpasol

## Audit of Accounts Report – Flintshire County Council

Audit year: 2021-22

Date issued: January 2023

Document reference: 3327A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2021-22 accounts in this report.
- 2 We have already discussed these issues with the Corporate Finance Manager and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £5,599,000 for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior officer remuneration: £1,000
  - Related party transactions: £10,000
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence. We have previously notified you of a potential threat to auditor independence and objectivity arising and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a continuing impact on how our audit has been conducted. We summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.



## Exhibit 1 – impact of COVID-19 on this year’s audit

<p><b>Timetable</b></p>	<p>Given the continuing impact of COVID-19 and its ongoing impacts on workloads, the Welsh Government provided flexibility in terms of accounts preparation and audit deadlines:</p> <ul style="list-style-type: none"> <li>• The timescale for completing your accounts was revised by the Welsh Government from 31 May to 31 August 2022.</li> <li>• We received the approved draft accounts on 6 July 2022.</li> <li>• Our deadline for completing our audit was extended by the Welsh Government from 31 July to 30 November 2022, then again to 31 January 2023, largely due to a technical accounting issue arising on infrastructure assets affecting all Councils this year (further details of this issue are provided in <b>Exhibit 2</b> below).</li> <li>• We expect your audit report to be signed on 27 January 2023.</li> </ul>
<p><b>Audit evidence</b></p>	<p>Audit Wales staff continue to work remotely from Council offices. As a result we have continued to build on our experience in prior years by:</p> <ul style="list-style-type: none"> <li>• arranging remote access to the Council’s financial systems;</li> <li>• updating our audit deliverables to clarify working paper requirements;</li> <li>• holding weekly Microsoft Teams meetings with officers throughout the audit to discuss progress and emerging issues; and</li> <li>• using a secure remote file transfer portal to safely share information.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>Given the current hybrid/remote model for Governance &amp; Audit Committee meetings, it may be difficult to arrange for the signing and certification of the accounts in hard copy. We will accept electronic signatures from you.</p>

## Proposed audit opinion

- 9 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 10 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 11 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 12 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 13 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 14 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention, and they are set out with explanations in Appendix 3.

### Other significant issues arising from the audit

- 15 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were two issues arising in these areas this year as detailed in **Exhibit 2**.

**Exhibit 2 – significant issues arising from the audit**

Area	Issue identified	The way forward
Uplifts to property assets valuations	<p>The Council normally values its property asset portfolio every five years on a rolling basis, in line with CIPFA’s Code (the Code). However, the Code also requires Councils to verify that there have been no material movements in the value of assets in the period between formal valuations.</p> <p>Given recent inflationary pressures, assets valued under the depreciated replacement cost method, or the existing use value for Social Housing method, would likely be subject to material increases in value during 2021-22. As a result, the Council undertook an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices.</p> <p>We are satisfied that by following this approach, the values of such property assets in the 2021-22 accounts are reasonable in all material respects. The values of the corrections arising from this exercise are set out in <b>Appendix 3</b>.</p>	See recommendation at Exhibit 5 in <b>Appendix 4</b> .
Changes to accounting and disclosure of infrastructure assets	<p>In common with other local authorities, the Council has taken advantage of temporary reliefs for reduced disclosures related to infrastructure assets allowed for in the Update to the Code and Specifications for Future Codes for Infrastructure Assets and the 2022 amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.</p> <p>The Authority has not disclosed gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean gross cost and accumulated depreciation are not measured accurately and would not faithfully represent the asset position to the users of the financial statements.</p> <p>The reliefs are a temporary expedient that are intended to allow authorities to address the information deficits and prepare robust information to support the carrying value of infrastructure assets. The temporary reliefs are only applicable for financial years up to and including 2024-25.</p>	No further action required – matter disclosed for information only.

## Recommendations

- 16 The recommendations arising from our audit are set out in **Appendix 4**. Management has responded to them, and we will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

25 January 2023

### Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council for the year ended 31 March 2022 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; in particular the financial statements give a true and fair view in accordance therewith;
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

## Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **Representations by Flintshire County Council**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Governance and Audit Committee on 25 January 2023.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Gary Ferguson  
Corporate Finance Manager  
25 January 2023

Signed by:

Sally Ellis  
Chair of the Governance and Audit  
Committee  
25 January 2023

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the members of Flintshire County Council

#### Opinion on financial statements

I have audited the financial statements of:

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

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council and Flintshire County Council's Group as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

#### Basis of opinion

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



requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

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

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

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

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

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

- The information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

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

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

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

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Flintshire County Council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

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

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

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

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Flintshire County Council and group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
January 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: Asset valuations - summary of corrections made

Value of correction	Nature of correction	Reason for correction
£42,484,000	<p><b>Expenditure and Funding Analysis</b> Adjustment between Funding and Accounting Basis has increased from £16,329,000 to (£26,155,000) with a subsequent increase in Net Expenditure.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£148,504,000	<p><b>Comprehensive Income and Expenditure Statement</b> Gross Expenditure decreased by £42,484,000 from £509,255,000 to £466,771,00 with a subsequent decrease in Net Expenditure.</p> <p>(Surplus)/Deficit on revaluation of non-current assets increased by (£106,020,000) from (£9,497,000) to (£115,517,000).</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£148,504,000	<p><b>Movement in Reserves Statement</b> Total comprehensive income and expenditure increased from £96,972,000 to £245,476,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£148,504,000	<p><b>Balance Sheet</b> Council Dwellings increased by £46,516,000 from £227,606,000 to £274,122,000.</p> <p>Other Land &amp; Buildings increased by £101,988,000 from £352,655,000 to £454,643,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).

	<p>Revaluation Reserve increased by £106,020,000 from £120,882,000 to £226,902,000.</p> <p>Capital Adjustment Account increased by £42,484,000 from £350,805,000 to £393,289,000.</p>	
No overall impact	<p><b>Cash Flow Statement</b></p> <p>Net surplus or (Deficit) on provision of services increased by £42,484,000 from (£872,000) to £41,612,000.</p> <p>Adjustment to surplus or deficit on the provision of services for non-cash movements decreased by £42,484,000 from £108,446,000 to £65,962,000.</p>	As a result of the amendments made to Council Dwellings and Other Land & Buildings in Note 8 (detailed below).
£46,516,000	<p><b>Note 8 Property, Plant &amp; Equipment.</b></p> <p>Council Dwellings Net Book Value increased from £227,606,000 to £274,122,000.</p>	To correctly reflect the value of Council Dwellings as a result of significant fluctuations in building costs within the 2021-22 financial year.
£101,988,000	<p><b>Note 8 Property, Plant &amp; Equipment</b></p> <p>Other Land &amp; Buildings Net Book Value increased from £352,655,000 to £454,643,000.</p>	To correctly reflect the value of Council Dwellings as result of significant fluctuations in building costs within the 2021-22 financial year.

The above amendments also impacted on:

- Notes 1, 3, 7 and 22;
- The Housing Revenue Account Comprehensive Income and Expenditure Statement;
- The Housing Revenue Account Movement in Reserves Statement;
- The Group Movement in Reserves Statement;
- The Group Comprehensive Income and Expenditure Statement;
- The Group Balance Sheet;
- The Group Cash Flow Statement; and
- Note 1 to the Group Accounts, Property Plant & Equipment.

**Exhibit 4: Other issues identified - summary of corrections made**

Value of correction	Nature of correction	Reason for correction
Disclosure only	<p><b>Note 8 Property, Plant &amp; Equipment</b> Removal of Infrastructure Assets column in the main disclosure table and inclusion of a separate disclosure note regarding the assets</p>	To comply with updated disclosure requirements following changes to the CIPFA Code and the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003.
£511,000 and (£627,000)	<p><b>Note 28 Related Parties</b> Officer Payments has been increased from £0 to £511,000.  Officer Receipts have been decreased from £702,000 to £74,000.</p>	To correctly reflect transactions with GwE that are not disclosed within Note 18 Grant Income.
Disclosure only	<p><b>Note 42 Financial Instruments</b> Long Term Investments table on page 64 has been replaced.</p>	To correctly reflect the counterparty investment timings and limits contained within the Treasury Management Strategy.

# Appendix 4

## Recommendations

We set out all the recommendations arising from our audit with management's response to them. We will follow these up next year and include any outstanding issues in next year's audit report:

### Exhibit 5: matter arising

<b>Matter arising – Property asset valuations</b>	
<b>Findings</b>	<p>The Council values its property asset portfolio every five years on a rolling basis, in line with CIPFA's Code (the Code). However, the Code also requires Councils to verify that there have been no material movements in the value of assets in the period between formal valuations.</p> <p>Given recent inflationary pressures, assets valued under the depreciated replacement cost method, or the existing use value for Social Housing method, would likely be subject to material increases in value during 2021-22</p> <p>As a result, the Council undertook an exercise to uplift the value of affected assets in 2021-22 using appropriate industry indices.</p>
<b>Priority</b>	High
<b>Recommendation</b>	<p>The Council should include an overall review of property asset values using information such as the Building Cost Information Service (BCIS) data, as part of the annual valuation process, to ensure that the carrying value of assets not valued in the year are not materially different to current value as at the year-end.</p>
<b>Benefits of implementing the recommendation</b>	<p>By building this review into asset valuation process and making any required amendments to asset values (for assets not formally valued in year), the Council will ensure its property asset values are not materially misstated.</p>



<b>Accepted in full by management</b>	Yes
<b>Management response</b>	TBC
<b>Implementation date</b>	31 March 2023



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

**Gary Ferguson**  
Corporate Finance Manager  
Rheolwr Cyllid Corfforaethol



Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

25 January 2023

Your Ref/Eich Cyl  
Our Ref/Ein Cyf  
Date/Dyddiad  
Ask for/Gofynner am  
Direct Dial/Rhif Union  
Fax/Ffacs

LOR 2021.22  
25 January 2023  
Chris Taylor

## Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council for the year ended 31 March 2022 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; in particular the financial statements give a true and fair view in accordance therewith;
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

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[www.flintshire.gov.uk](http://www.flintshire.gov.uk)  
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## Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
  
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware;

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **Representations by Flintshire County Council**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Governance and Audit Committee on 25 January 2023.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Gary Ferguson  
Corporate Finance Manager

Sally Ellis  
Chair of the Governance and  
Audit Committee

25 January 2023

25 January 2023

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 5



## Governance and Audit Committee

<b>Date of Meeting</b>	25 January 2023
<b>Report Subject</b>	Climate Change Strategy
<b>Cabinet Member</b>	Collective Responsibility
<b>Report Author</b>	Chief Officer (Planning, Environment & Economy)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

In 2019 the Welsh Government called for the Public Sector to become net zero carbon by 2030. Following this declaration, Cabinet resolved in December 2019 to a Climate Change Strategy which would set key aims and actions for creating a net zero carbon Council by 2030.

The Climate Change Strategy and action plan were adopted by Council in February 2022. The strategy detailed the commitment to provide an annual update on the Council's carbon emissions with consideration for further areas for development in achieving the net zero carbon goal.

This report summarises the progress made in 2021/22 across the key themes within the strategy: Buildings, Mobility & Transport, Procurement, Land Use and Behaviour.

The total carbon emissions for 2021/22 saw a 1% increase on the 2018/19 baseline. All carbon emission sources have seen decreases beyond the percentage targets, aside from Procurement which saw a 24% increase. Emissions from this source are directly linked to spend value and therefore the current methodology is adversely affecting the Council's total carbon footprint.

Fleet transition to low carbon alternatives and provision of available EV charging infrastructure for Council fleet is progressing slowly. There is also a need to embed climate change and carbon reduction throughout the Council, and increased visibility and provision of training can achieve this.

Lastly, further developing efficient energy management within our buildings will enable continued reductions from this theme.

These areas need particular focus and revenue support over the coming year to accelerate decarbonisation and stay on track towards 2030 net zero carbon goal.

## RECOMMENDATIONS

1	To receive the report and note its contents.
2	To support the improvement of internal communications to raise awareness of the Council's positive progress in moving to achieve its climate change ambitions.
3	To support the introduction of embedding carbon measures into procurement processes within a pilot portfolio of the Council.
4	To support the case for an Invest to Save post and resources to introduce Building Management Systems within more of our building assets to improve the management of energy use.
5	To support the embedding of climate change principles throughout the Council, through delivery of Carbon Literacy training to Elected Members, Senior Managers and other key decision makers.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE REPORT</b>
1.01	<p><b>Background:</b> In 2019, the Welsh Government declared a Climate Emergency in Wales, accepting the recommendations from the United Kingdom (UK) Committee on Climate Change and further setting ambitious plans for the public sector to be net zero carbon by 2030. In December 2019 Cabinet resolved to develop a Climate Change Strategy which would set key aims and actions for creating a net zero carbon Council, and this strategy and action plan was adopted by Council in February 2022.</p>
1.02	<p><b>Purpose:</b> This report provides an update on the progress that has been made on climate change from adoption of the Climate Change strategy in February 2022 – January 2023. During the 12 months of this reporting period, there has been focus on implementation of key projects while carrying out the necessary research and development needed to progress within other priority areas. The report compares the most recent carbon emission data (Apr 2021 – Mar 2022) against previous year's data, and explains areas of increase and decrease. The report then breaks down progress in each theme within the published Action Plan, and starts to indicate where Capital and Revenue resource is needed to further progress within these actions.</p>



1.03

The Climate Change strategy set out a milestone plan for key theme areas. Appendix 1 details the progress made against annual target emissions in order to stay on track with our net zero carbon goal.

This can be summarised in the table below:

Theme	2018/19 actual tCO <sub>2</sub> e	2019/20 actual tCO <sub>2</sub> e	2020/21 actual tCO <sub>2</sub> e	2021/22 actual tCO <sub>2</sub> e	2021/22 target (% reduction) tCO <sub>2</sub> e
Buildings	10,747	10,262	9,971	8,543 (-13%)	9,004 (9%)
Mobility & Transport	6,716	6,542	5,479*	5,504 (-16%)	5,938 (9%)
Procurement	28,970	29,227	25,366	32,446 (+24%)	23,337 (8%)

\*Due to records retained during the COVID pandemic, in 2020/21, the figures for employee commuting were not previously included. The data detailed above is an estimate.

The table details the reductions made in 2021/22 against the 2018/19 baseline. An increase in emissions has occurred in Procurement due to the increase in spend in 2021/22. All other key themes have seen carbon reductions as we evolve into new ways of working post pandemic.

The Climate Change Action Plan captures the actions needed across the Council in order to achieve Net Zero Carbon by the 2030 goal. The Action Plan is divided into 5 key themes: Buildings, Mobility & Transport, Procurement, Land Use & Behaviour. To monitor progress within each of these themes, Officer Working groups were established with representation from key stakeholders across the Council’s portfolios. This is a further way of embedding climate change into the Council, and Climate Change and Climate Adaptation actions continue to be included in the Council Plan.

There are 58 actions within the Action Plan that include both mitigation and resilience actions. This Action Plan is a working document that will be reviewed periodically as and when further intelligence is available to improve carbon reduction forecasts. The progress against this Action Plan is detailed in Appendix 2, and summarised below.

1.04

**Buildings**

We continue to invest in our buildings to improve their energy efficiency and subsequent carbon emissions. We have successfully secured Salix loans, Prudential borrowing, Welsh Government grants and utilised internal funds to carry out works across our estate including schools, industrial units and street lighting. These have included LED upgrades, improved insulation, and BMS (Building Management System) upgrades to improve management of energy. We also continue to invest in building mounted renewable energy to reduce the need for grid electricity by installing solar PV and wind turbines on schools and industrial units.

**Due to these works we have seen a 3% decrease in heating from buildings, 37% decrease in electricity from buildings, and 44% decrease in electricity in street lighting.**

	<p>Work has been underway in designing and developing the Council's first Net Zero Carbon school and is again demonstrating leadership by piloting a Net Zero Carbon Care Home which will be one of the first in Wales.</p> <p>Rationalisation of assets continues as the Council moves out of the COVID pandemic and embraces new ways of working. The Asset Management Plan has been reviewed to reflect the Council's carbon ambitions when building and land assets become available.</p> <p>Further opportunities exist to decarbonise our buildings and focussed resource needs to be made available to progress this in the coming year.</p> <p>The Council continues to provide energy advice and support to domestic properties – both Council tenants and private households. The team works to reduce the risk of fuel poverty and works with occupiers and contractors to fit energy reduction measures in homes including insulation, LED light bulbs, energy use meters, solar energy and improved heating systems such as air source heat pumps.</p> <p>In terms of economic strategy, place plans are being developed for each of our town centres over the coming year. These plans will help us to understand the regeneration needs within our urban communities and will consider carbon mitigation and adaptation and environmental impacts within these areas. The plans will give us a better understanding of our existing and potential assets and guide and shape decisions to ensure the county thrives and supports the wellbeing of our residents.</p>
1.05	<p><b>Mobility &amp; Transport</b></p> <p><b>In 2021/22 we have seen a 51% decrease in Business travel, 11% decrease in employee commuting and 15% decrease in Fleet, compared to our 2018/19 baseline.</b></p> <p>The decrease in Business Travel and Employee Commuting can be attributed to the hybrid working patterns of the workforce coming out of the pandemic. The data for both of these areas has a reasonably high Relative Standard of Deviation (RSD) due to the methodology used to determine emissions. The RSD for this data can be reduced by improving the vehicle data we collect within our mileage travel claim forms for Business Mileage, and by surveying our employee base to determine methods of travel and average days travelled within Employee Commuting. This would also help us to better understand the impacts of home working on the Council's carbon footprint. The provision of a salary sacrifice scheme for ULEV would also improve our emissions from these sources.</p> <p>The Council is working to understand the impacts of transition to alternative fuel vehicles with pilots of electric recycling vehicles and 2 electric buses introduced into the public service. These trials will allow us to understand the benefits and challenges associated with this transition, and better scope the network, infrastructure and training needed in order to transition while preventing any adverse effects to service provision.</p>

	<p>The largest impact in this area comes from our own Fleet. Work is being carried out to develop the Council’s EV Transition plan in line with the installation of EV charging points and the renewal of the Fleet contract. This project is one that has many contributing factors affecting a number of the Council’s portfolios. There are many aspects of this roll-out that could be detrimental to Council service provision if not completed correctly. Specific skills and knowledge are needed to progress and implement this plan across the Council – overseeing the operational aspects of location of charging points, managing vehicle routes, providing training on the use and care of electric vehicles, provision of ongoing maintenance, while ensuring all stakeholder parties are involved and engaged. The Council needs to invest in specific staff resource to manage the operational side of this transition to reduce the impact on Council service provision.</p> <p>We have invested in EV charging infrastructure to support the public transition to electric vehicles. Working with Swarco, the first phase of 15 public access EV charging points have been installed across the county within public car parks. Feasibility for further phases could see additional provision in well-identified locations.</p> <p>The Council continues to develop its active travel network across the county by identifying and bridging gaps in the network. The Welsh Government Bus Reform on franchising the Bus Network may impact on current plans around public transport.</p>
1.06	<p><b>Procurement</b></p> <p><b>In 2021/22 we saw a 24% increase in carbon emissions from supply chain.</b> This increase directly correlates with a Council-wide increase in spend over 2021/22.</p> <p>The Council has a responsibility to consider how we can incorporate climate change considerations into our procurement in a way that is proportionate and relevant and influences the market. Reducing emissions from procured goods and services is a significant part of our climate response.</p> <p>Procurement continues to be a contentious reporting figure due to being based on the value of goods and services procured. This will continue to fluctuate in line with Council spend and therefore be an unpredictable carbon emission source until we are able to demonstrate actual carbon emissions within contracts.</p> <p>Work is underway to include the requirement of a carbon plan in contracts over £5 million as per Welsh Government guidance. The biggest impacts will come from establishment of tender scoring criteria on carbon emissions from each contract. This will allow us to add carbon specific weighting to tendering processes and monitor the contract for the actual carbon emissions produced as a result of that service. These figures can then be reported as actual carbon emission figures in place of the contract value.</p>

	<p>The emissions from procurement are split into a number of categories and therefore we are able to pinpoint the key spend areas. These are: Social Care services, Construction, Education Services, and other Professional Services. We can focus on introducing carbon measures within these key spend areas to ensure high impact on carbon reduction within Procurement.</p> <p>The Procurement Strategy is being reviewed to incorporate the introduction of measures to weight contracts with consideration for the carbon impacts of the contract and collection of that carbon emission data. Engagement work will need to be undertaken with suppliers to guide them on our carbon ambitions and the requirement for this data, and Council officers will require training to understand the carbon impacts.</p> <p>Management of this process – working with Commissioning officers, our current suppliers and prospective suppliers to enable the collection of this data – is onerous and the Council needs to invest in a skilled staffing resource for this. Opportunities may be available to utilise a shared resource with our Joint Procurement partner Denbighshire County Council.</p>
1.07	<p><b>Land Use</b></p> <p>The Council continues to work on understanding both existing and potential benefits of its land assets. Cross departmental working is being utilised to effectively map land areas that have potential for improved carbon absorption, natural flood defence and biodiversity net gain. These attributes must be weighed against current land use and other land priorities. Key sites will be identified this year to progress feasibility.</p> <p>The Council has demonstrated leadership with further investment in renewable energy with the launch of two new solar farms potentially generating 3MW of electricity. This complements our existing solar farms and landfill gas generation, with solar farms now at former Flint landfill, Crumps Yard, Connahs Quay, and Standard Road and Brookhill Way, Buckley.</p> <p>In partnership with University College London (UCL) we have demonstrated the need to innovate by trialling hydro power at Wepre Park. This installation is a proof of concept for this technology in providing renewable energy for the Visitor Centre from water flow.</p> <p>By investing in these technologies, we can move Flintshire, and Wales as a nation, away from energy produced by burning of fossil fuels. Further opportunities exist to invest in large scale renewable energy schemes and focussed resource needs to be made available to progress this in the coming year.</p> <p>Municipal waste continues to be sent to Parc Adfer energy from waste facility in Deeside which can power more than 45,000 homes. Kerbside food waste is sent to the anaerobic digester and green waste is converted into compost at the Greenfield facility. Kerbside recycling waste is collected and recycled largely within the UK. Links with Flintshire</p>

	<p>Refurbs and other charities has improved the waste treatment of large household items and white goods. Items are collected at kerbside or set aside at Household Recycling sites and either repaired and reused or broken down into their component parts for recycling.</p> <p>The provision for recycling in Council buildings can be improved through audit and education, and on-demand collections of recyclables are being trialled at Schools.</p> <p>Due to these streams avoiding waste being sent to landfill, the carbon emissions within our baseline are those from fuel used by the Waste collection vehicles. These emissions will reduce once effective alternative fuel sources are available for these heavy use vehicles.</p> <p>In terms of further biodiversity management, we now have a network of 109 nature areas across the county that incorporate reduced mowing regime, wildflower seeding, etc, with 11.8ha of our grassland estate managed for wildflower diversity. There are still opportunities to extend this network through land mapping and engaging with both internal and external stakeholders. The benefits of this network extend beyond biodiversity and provide accessible and visible green space to improve wellbeing.</p> <p>Progress to increase tree canopy cover in line with the Urban Tree and Woodland Plan has been affected by storm damage and the continued issue of ash dieback. Ash dieback action plan is in place and tree works are being recorded and continued work with private landowners.</p> <p>Community food growing sites continue to receive improvements and further potential sites have been identified for consideration for food growing. There are currently 16 sites across the county covering over 3.8ha.</p>
1.08	<p><b>Behaviour</b></p> <p>In order to embed climate change, work has been undertaken to review and update key decision making tools within the Council. The Integrated Impact Assessment tool is used for compliance with the Public Sector Equality Duty and ensure due regard is given to reduce inequalities of outcome resulting from socio-economic disadvantage, when taking strategic decisions. It incorporates Welsh Language impacts, environment and biodiversity, health impacts, etc. This tool now incorporates the impacts associated with carbon to ensure strategic decisions consider our carbon ambitions. Further review of this document is taking place to ease completion by the Officer while ensuring all of the impact criteria is met. The Business case template for Capital expenditure has been updated to incorporate the mandatory modelling of a best-case carbon and biodiversity positive option. This process allows Officers to effectively consider the reduced carbon options within the early business planning process. Further support will be given to Officers completing the new requirements within this document. The Council's Asset Management Plan has been reviewed and updated to give due consideration for carbon impacts related to our building assets as well as</p>

	<p>the consideration of land use to support carbon ambitions. The Procurement Strategy is also being reviewed as described previously.</p> <p>To further support the embedding of climate change across the Council, the former Climate Change Programme Board was formalised as a Climate Change Committee and a Cabinet Member for Climate Change &amp; Economy was established. The Board has oversight on the delivery of the Strategy and its Action Plan.</p> <p>In embedding carbon within the decision making of Officers and Members, the first phase roll out of carbon literacy training has taken place. Carbon literacy training should be a mandatory requirement for Elected Members and Senior Managers across the organisation. Cost implications to the Council have been reduced by providing in-house delivery of a package developed by Carbon Literacy Project specifically for Local Authorities. Twenty Officers within the Themed Working groups have attended this training and feedback has been very positive. The next phase of training needs to focus on Elected Members and Senior Managers across the Council and budget and time allowance for this must be accounted for.</p> <p>The wider employee base would benefit from completion of a more basic introduction to climate change, and Flintshire Council is leading a regional public sector commission to facilitate the development of an e-learn module for this purpose.</p> <p>Steps have been taken in the transition towards a 'paperless Council' through provision of hardware for Members to enable access to Report Packs digitally. The default position is now that paper copies of reports are not sent out unless specifically requested. This process is still ongoing to identify further barriers to utilising digital report packs. Further engagement work to improve behavioural change across Officers and Members is needed. Other areas of paper use across the Council are being identified and reviewed in line with the Digital Strategy.</p>
1.09	<p>Reducing the Council's carbon emissions alone – roughly 2% of the total emissions of the county - will not achieve the net zero Wales by 2050 goal, and the expectation is that we use our influence as a Local Authority to encourage local businesses, voluntary organisations, public services and the general public to work towards reducing their carbon emissions.</p> <p>We have developed a decarbonisation network for Deeside industrial area to develop aims and objectives and share good practice and are developing a toolkit for local businesses to calculate their carbon footprint and develop a carbon reduction plan.</p> <p>We have developed public facing 'Climate Change' pages within the Council's website which are regularly updated with our progress and provide a resource for the public and Council employees. In November we launched the Climate Change e-newsletter with a subscription of over 900. The newsletter highlights key projects, useful information and</p>

	<p>upcoming local and national events. The 'Climate change' topic is now available for selection in the Flintshire Council subscription topics.</p> <p>The Climate Change Programme Communication and Engagement plan ensures that all stakeholder groups are engaged and informed through a variety of media. During COP Cymru in November 2021, the Council shared its good practice by presenting on the Flintshire Solar Farms and continued investment and leadership in renewable energy generation. During Wales Climate Week in November 2022 drop-in sessions were organised across the county providing energy saving advice, carbon footprint calculations and allocations of trees to Welsh households as part of the 'My Tree Our Forest' programme. Plans are being developed for activities to engage businesses, residents and schools in climate change action.</p> <p>Networks continue to be developed across public and private sectors to ensure a comprehensive approach to climate change across the county. The Welsh Government Energy Service and Welsh Local Government Association lead both regional and pan-Wales networking groups for decarbonisation officers across the public sector. This is an essential resource for learning and showcasing best practice and provides opportunities for joint working projects where all organisations are working towards a shared outcome. Outputs from these groups are fed into the Local Government Climate Strategy Panel that is represented by Welsh Government. Wrexham &amp; Flintshire Public Service Board (PSB) continues to provide a collaborative environment for all public sector organisations in achieving carbon and environmental ambitions, and the links these have with social prescribing and health and wellbeing.</p>
1.10	<p><b>External influences:</b></p> <p>The Audit Wales report 'Public Sector Readiness for Net Zero Carbon by 2030', published in July 2022, makes five calls for action from public bodies:</p> <ul style="list-style-type: none"> <li>- Strengthen your leadership and demonstrate your collective responsibility through effective collaboration</li> <li>- Clarify your strategic direction and increase your pace of implementation</li> <li>- Get to grips with the finances needed</li> <li>- Know your skills gaps and increase your capacity</li> <li>- Improve data quality and monitoring to support your decision making.</li> </ul> <p>As a Council we have strengthened our leadership through a committed Cabinet Member for Climate Change, a formalised Climate Change Committee, and cross-departmental Officer working groups to demonstrate collective responsibility through collaboration. We are working with our public sector partners to better understand the finances associated with decarbonisation, and to share best practice with improved data quality. The Council must continue to increase the pace of</p>

implementation of carbon reduction projects and increased capacity where skills gaps exist by providing the necessary investment.

In July 2022 Welsh Government also published their 'Decarbonising Social Care in Wales's report which highlights key actions needed by the public sector to better understand the carbon emissions from social care services and to ensure actions to decarbonise are included in strategic plans. The Council's Climate Change Strategy already encompasses many aspects associated with social care, however, this will be reviewed as part of the strategy review in 2024/25. Within this review content and detail will be compared to the 'Social Care route map' to ensure this service area is effectively represented. Future carbon emission submissions to Welsh Government will require a separate analysis of emissions from social care.

The methodology for the 2021/22 carbon emission data submission to Welsh Government was modified to incorporate the addition of new measures around Homeworking. The methodology used for calculating these emissions has a very high Relative Standard of Deviation due to necessary data being difficult to determine. In order to make this data meaningful and a true reflection of the carbon impacts from home working, we need to better understand the quantity of time our employees work from home. This data collection could be tied into the wider 'employee commuting' survey. Due to the disparity of data, and emissions from Homeworking not being included in our baseline figures, we have not included this in scope for our 2021/22 carbon emission data report.

With the addition of Homeworking emissions in 2021/22, and social care in 2022/23, the moving of reporting goalposts has potential to adversely affect the progress made in reducing our carbon emissions. It should be decided if any changes in methodology are to be included in future internal reporting or if the original baseline figures should be maintained.

In December 2021, the Welsh Government committed to the development of regional energy strategies and Local Area Energy Plans in its approach to create a national energy plan by 2024. This exercise maps out future energy demand and supply for all parts of Wales to identify gaps and enable future planning.

The North Wales Energy Strategy & Action Plan has now been developed through a public sector working group and has been approved by the North Wales Economic Ambition Board. The strategy and action plan now needs to be endorsed by each Council, and implementation of this will be led by Ambition North Wales.

Ambition North Wales are also leading on the development of the Local Area Energy Plans and work with each Council will commence in 2023. The Planning is being funded by Welsh Government and the resulting Local Area Energy Plan will inform both local and national investment and decisions on future requirements for energy across all sectors.



1.11	<p>Significant change will not happen within the organisation without adequate capacity. This can take the form not only in the human resource to lead and manage projects or the financial resource to invest when needed, but also the political will and understanding of realising the long term benefits of decisions made today.</p> <p>In times of austerity, it is important to justify how spending decisions are made. Prioritising one area of urgency over another is down to how seriously the Council considers its responsibilities in terms of the ambition to become net zero carbon. The Council has a record of committing to investment in green projects highlighted within the Council Plan and this must be continued to achieve the ambitious targets set out.</p> <p>We have invested in staff capacity to lead the delivery of the Climate Change strategy, however we now need to utilise specific knowledge and skills to develop and lead change in decarbonising our Fleet, Buildings and Procurement. These roles should be located within the teams leading on the key actions to reduce carbon emissions from these work areas.</p> <p>The Council was successful in securing a degree apprentice in ‘Low Carbon Energy and Sustainability’ through Welsh Government’s initiative to invest in green skills. This placement is in partnership with Wrexham Glyndwr University and is already proving to be a valuable resource for the programme.</p>
1.10	<p>By working to achieve these goals Flintshire County Council can make its contribution to tackling the climate emergency and a net zero Wales by 2050 as detailed in Climate Change (Wales) Regulations 2021.</p> <p>Furthermore, achieving the Council’s own well-being goals and those within the Well-being of Future Generations (Wales) Act 2015. As climate change and the environment are intrinsically linked the Council will also deliver on its statutory duties within Environment (Wales) Act 2016 to maintain and enhance biodiversity.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Capital and revenue resource will be required to continue improvement of energy efficiency in buildings assets. Where possible SALIX loans and external funding will support this programme. Costs still to be determined.
2.02	Capital resource will be required for improvement of electric vehicle charging infrastructure to support transition of fleet to EV. Installation cost approximately £600k supported by external funding.
2.03	Next stage large scale renewable energy generation estimated costs £1.1m. This could be funded through Prudential borrowing.
2.04	Dedicated staff resource is needed to progress the decarbonisation of both fleet and procurement. Opportunities exist to utilise a joint Procurement officer with Denbighshire County Council.
2.05	In order to educate and inform key decision makers on climate change actions it is essential that priority is given to completion of Carbon Literacy training. In-house provision of this is saving the Council approx £34,000 in

training revenue. The estimated costs for delivery to all Elected Members and Senior Managers is £2,000.
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<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>	
3.01	There will be significant reputational risk if the County Council is not seen to take a leadership role in moving towards net zero carbon. Financial risk will be assessed on a project-by-project basis but lack of availability of internal and external funding will reduce the action that can be taken.	
3.02	<b>Ways of Working (Sustainable Development) Principles Impact</b>	
	Long-term	Positive: Decarbonisation of the Council’s activities and services will require long term planning and a long term vision to ensure systems and services are fit for purpose as the climate changes as well as reducing the impact of harmful climate change through mitigation. Decarbonisation activities such as planting trees and developing renewable energy will have long lasting impacts over tens to hundreds of years. These activities also contribute to the climate change targets set by Welsh Government particularly Wales generating 70% of its electricity demand from renewable energy by 2030 and becoming a net zero carbon nation by 2050.
	Prevention	Positive: In order to avoid the harmful effects of climate change it is necessary for the Council to reduce its carbon emissions and increase the amount of carbon sequestered in its land assets. Carbon emissions caused by human activities are the main cause of climate change. Mitigating climate change will help to reduce impacts such as extreme weather causing flooding / extreme heat, loss of wildlife and habitats, increased pests and diseases, etc. Adapting to the impacts of climate change now will improve sustainability of our communities as the climate changes.
	Integration	Positive: Becoming net zero carbon integrates with the following priorities under the Council Plan; Green Council, Ambitious Council and Supportive Council. It integrates with the public service board objectives in the Environment priority of the Wellbeing Plan as well as the Smart Access to Energy project in the North

	Wales Growth Deal. It also integrates with the Environment (Wales) Act 2016 and Welsh Government's decarbonisation of the public sector agenda.
Collaboration	Positive: The climate change programme offers multiple opportunities to work collaboratively both internally and externally – and this collaboration will determine the success of the programme. Collaboration with the following groups is needed to ensure decarbonisation is integrated into everything that the Council and the wider region does and plans for: <ul style="list-style-type: none"> <li>- Welsh Government</li> <li>- Other public sector organisations such as local authorities, NRW, health boards, universities.</li> <li>- Private sector</li> <li>- Regional groups such as the North Wales Economic Ambition Board</li> <li>- Local Town and County Councillors</li> <li>- the local communities</li> </ul>
Involvement	Positive: If decarbonisation is to succeed and harmful climate change is to be avoided then everyone at a professional and personal level will need to be involved

### Well-being Goals Impact

Prosperous Wales	Positive: Reducing the Council's carbon emissions should enable strategic investment in projects and ways of working that could deliver savings or generate new income streams, therefore supporting delivery of local services. It should also facilitate the development of the low carbon economy through infrastructure projects, sustained tree planting, land management etc which can support local businesses and communities.
Resilient Wales	Positive: Decarbonisation of the Council's activities and services will promote resilience through actions such as: investment in renewable energy infrastructure which helps to reduce reliance on imports from across Europe and the World and the associated price fluctuations, and increasing ecological resilience through enhancing biodiversity particularly on land with low ecological

		value. By planning for climate change adaptation the Council's services and its communities will also be resilient.
	Healthier Wales	Positive: Decarbonisation requires a shift to active travel, investment in green infrastructure, support for local and sustainable food sources, and development of renewable energy which are likely to promote healthier lifestyles, improved wellbeing and reduced health impacts from poor air quality.
	More equal Wales	Neutral; No impact identified
	Cohesive Wales	Neutral; No impact identified
	Vibrant Wales	Neutral; No impact identified
	Globally responsible Wales	Positive: Reducing the Council's carbon emissions to net zero helps to mitigate climate change and therefore contributes to the achievement of Welsh Government, UK Government and international climate goals.
3.03	Not anticipated to be any negative anti-poverty, equalities or environmental impacts of the scheme.	
3.04	<p><b>The Council's Well-being Objectives</b></p> <p>Decarbonisation of the Council's activities will support the Green Council objective with a key impact of reducing carbon emissions mitigating climate change, for example, through the development of alternative and renewable energy production, promoting active travel, shifting to electric fleet vehicles, engaging with the supply chain and promoting a low carbon economy through the goods and services purchased.</p> <p>It can also contribute towards the success of other Council Wellbeing objectives such as 'An Ambitious Council' and 'A Caring Council' through providing local job creation and apprenticeships and therefore potentially reducing poverty through maximising residents' income and employability.</p>	

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p><b>Appendix 1</b> – FCC Carbon Emission update</p> <p><b>Appendix 2</b> – Climate Change Action Plan progress</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
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6.01	1. Prosperity for all – a low carbon Wales <a href="https://gov.wales/prosperity-all-low-carbon-wales">https://gov.wales/prosperity-all-low-carbon-wales</a>
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<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer: Alex Ellis – Programme Manager</b> <b>Telephone: 01352 703110</b> <b>E-mail: <a href="mailto:alex.ellis@flintshire.gov.uk">alex.ellis@flintshire.gov.uk</a></b>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b> <b>These are provided corporately on the Infonet (link) and maintained by the Executive Office</b>
	<p><b>Capital Funding:</b> Capital funding is usually utilised to acquire or improve a long-term asset such as equipment or buildings.</p> <p><b>Carbon emissions:</b> Used interchangeably with greenhouse gas emissions; meaning emissions of carbon dioxide, methane etc from human and natural activities and sources. Wider greenhouse gas emissions are collectively calculated into a ‘carbon dioxide equivalent’ displayed as CO<sub>2</sub>e.</p> <p><b>Carbon sequestration:</b> the process involved in carbon capture and the long term storage of atmospheric carbon dioxide.</p> <p><b>Decarbonisation:</b> Reducing and ultimately eliminating carbon dioxide and other greenhouse gas emissions.</p> <p><b>EV:</b> Electric Vehicle</p> <p><b>Net Zero Carbon:</b> Balancing carbon emissions with carbon removal or simply eliminating carbon emissions altogether.</p> <p><b>Revenue Funding:</b> is utilised for items that will be used within a year. Examples include salaries, heating, lighting, services and small items of equipment. Routine repairs are revenue expenditures and can include significant repairs that do not extend the life of the asset or do not improve the asset.</p>

Mae'r dudalen hon yn wag yn bwrpasol



# Carbon Emission update 2021-22

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## 1 Executive Summary

Flintshire County Council's target is to become net zero carbon by 2030.

In order to gauge progress towards this target, carbon emissions are tracked and reported on an annual basis. By understanding what the sources of carbon emissions are, the Council can formulate strategic priorities to mitigate climate change.

The progress detailed within the report allows us to pinpoint areas where data collection methods need to be improved, focus investment and decision making on areas that are not performing as expected, and review projected forecasts to take us to our 2030 goal.

The methodology used to determine the Council's carbon footprint is based on Welsh Government guidance 'Welsh Public Sector Net Zero Reporting Guide Version 2, 2022'.

Some of the methodology used within this process has already changed year on year since the baseline calculation was made in 2018/19. Introduction of new measures into the calculation can confuse and undermine the progress that the Council is making in its carbon reduction activities. Due to this, this progress report follows the sources of carbon emission as detailed in our in-scope baseline footprint calculations.

The total carbon emissions for 2021/22 before removing carbon offset from our land was 46,493tCO<sub>2</sub>e. This is a 1% increase on carbon emissions based on our 2018/19 baseline and is due to the increase in emissions from Procurement. The methodology adopted for emissions from procurement is based on value of spend, and therefore an increase in Council spend will reflect an increase in carbon emissions.

All other sources of carbon have seen reductions above the targeted 9% and 8% as detailed in the climate change strategy.

Focus must be given to adoption of a more effective and accurate methodology for determining the Council's emissions from supply chain.

## 2 Our Baseline

Everything we do has an effect on the environment we live in; from burning fossil fuels for heating to collecting kerbside waste and recycling. Flintshire County Council reports its carbon footprint to Welsh Government as tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) within its organisational and operational boundaries. This plan relates to the Council's internal operations which are:

- Buildings owned and operated by the Council including offices, depots, schools, community centres, care homes, public conveniences and street lighting. This includes heating, electricity and water use within these facilities.
- Fleet vehicles owned by the Council,
- Business travel for work,
- Employee commuting,
- Procurement of goods and services.

The scope excludes:

- Domestic properties,
- Buildings owned by us that are leased out and operated by third parties,

In order to establish where we are and where we need to be, we first need to look at our baseline figures. In 2018/19 we were able to capture the data set out below. Figure 1 below shows a breakdown of GHG emissions by emission source for 2018/19.<sup>1</sup>

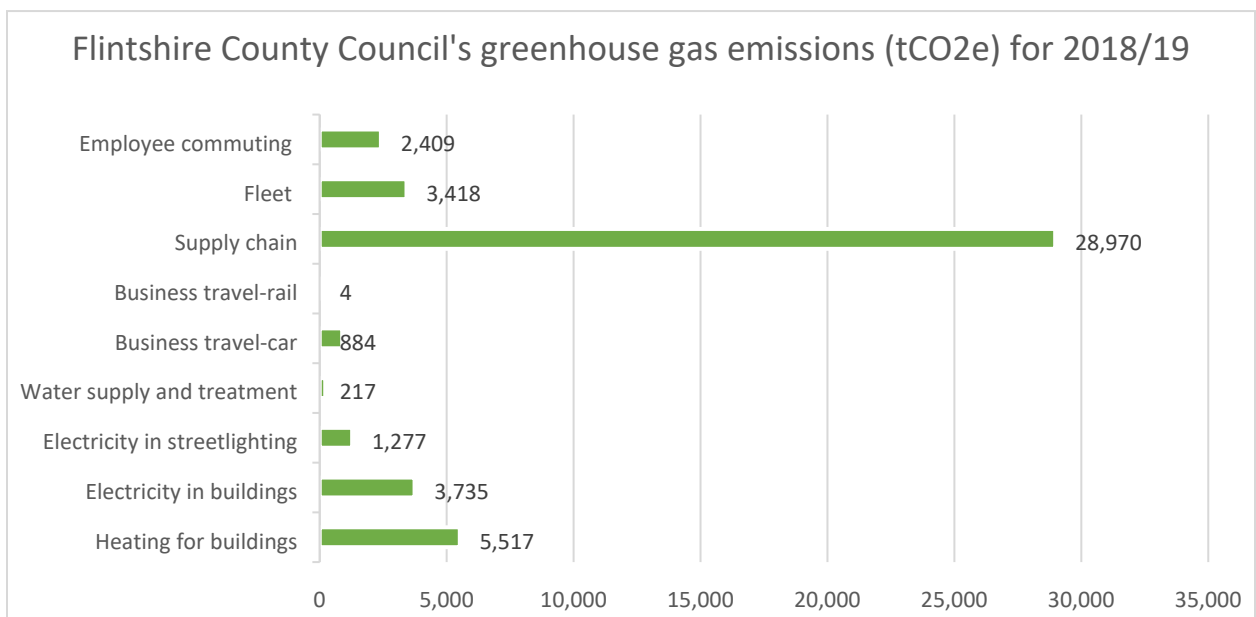


Figure 1: Flintshire County Council's GHG emissions for 2018/19 baseline

<sup>1</sup> It should be noted that the data has been collected using the best available methods at that time, and therefore the expectancy is that data accuracy will improve with emerging methodologies.

As these figures suggest, the biggest contributors to the Council's carbon footprint in 2018/19 were:

- Supply chain; procurement of goods and services: 62%
- Heating for buildings: 12%
- Electricity in buildings: 8%
- Fleet: 7%
- Employee commuting: 5%<sup>2</sup>

The Council produced 1,664 tonnes of waste in 2018-19 from its operations, however all waste collected by the Council, including operational waste, was either recycled or sent to energy from waste plants for incineration when it cannot be recycled. All green waste is composted. Therefore the only carbon emissions related to waste are included in the 'Fleet' data through waste collection vehicles.

Supply chain; procurement of goods and services equates to 62% of our baseline carbon emissions total. The Council understands that there are actions that can be taken to reduce these emissions through decision making processes and supplier engagement, however this figure will only see significant reductions if the appropriate investment, policy and infrastructure is provided and developed by the Government.

From this data we understand that our baseline carbon emissions for 2018/19 were 46,434 tCO<sub>2</sub>e.

In 2018/19, the Council reported an estimated 1,500 tCO<sub>2</sub>e absorbed from its land assets. However, this figure has been estimated based on two specific land types – grassland and woodland/forest – with a common value factor used to determine the absorption of carbon. As yet, no formal baseline figures have been calculated for our land assets to determine more accurate absorption figures and therefore this action is a priority in realizing the true benefits of our land to both carbon sequestration and wider habitat richness.

The 2018/19 carbon absorption total can be removed from our emissions total as a 'carbon offset'. Therefore to meet our net zero carbon goal, the total carbon emitted by the Council, minus the total carbon absorbed from Council owned and operated land, must equal zero by 2030. In 2018/19 the balance of carbon emissions was 44,934 tCO<sub>2</sub>e.

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<sup>2</sup> Note this data has a high level of inaccuracy due to the calculation methodology used

### 3 Carbon Emissions for 2021/22

The Council now has carbon emission data for four financial years as shown in Figure 2 below. The total carbon emissions for 2019/20 saw a 1% reduction on the 2018/19 baseline. The total carbon emissions for 2020/21 saw a 17% reduction on the 2018/19 baseline. The total carbon emissions for 2021/22 saw a 1% increase on the 2018/19 baseline.

Emissions reductions in 2021/22 were made across all sources except supply chain where there was a 12% increase on 2018/19 baseline. The methodology adopted for calculating our carbon emissions is mandated by Welsh Government. The methodology for calculating carbon emissions from supply chain is based on the value of spend. Therefore if the Council spends more money one year than a previous year then the consequential emissions will be higher. This is not an ideal or accurate method to calculate these emissions and work must be carried out to improve the recording of actual emissions related to contracts to improve this data accuracy.

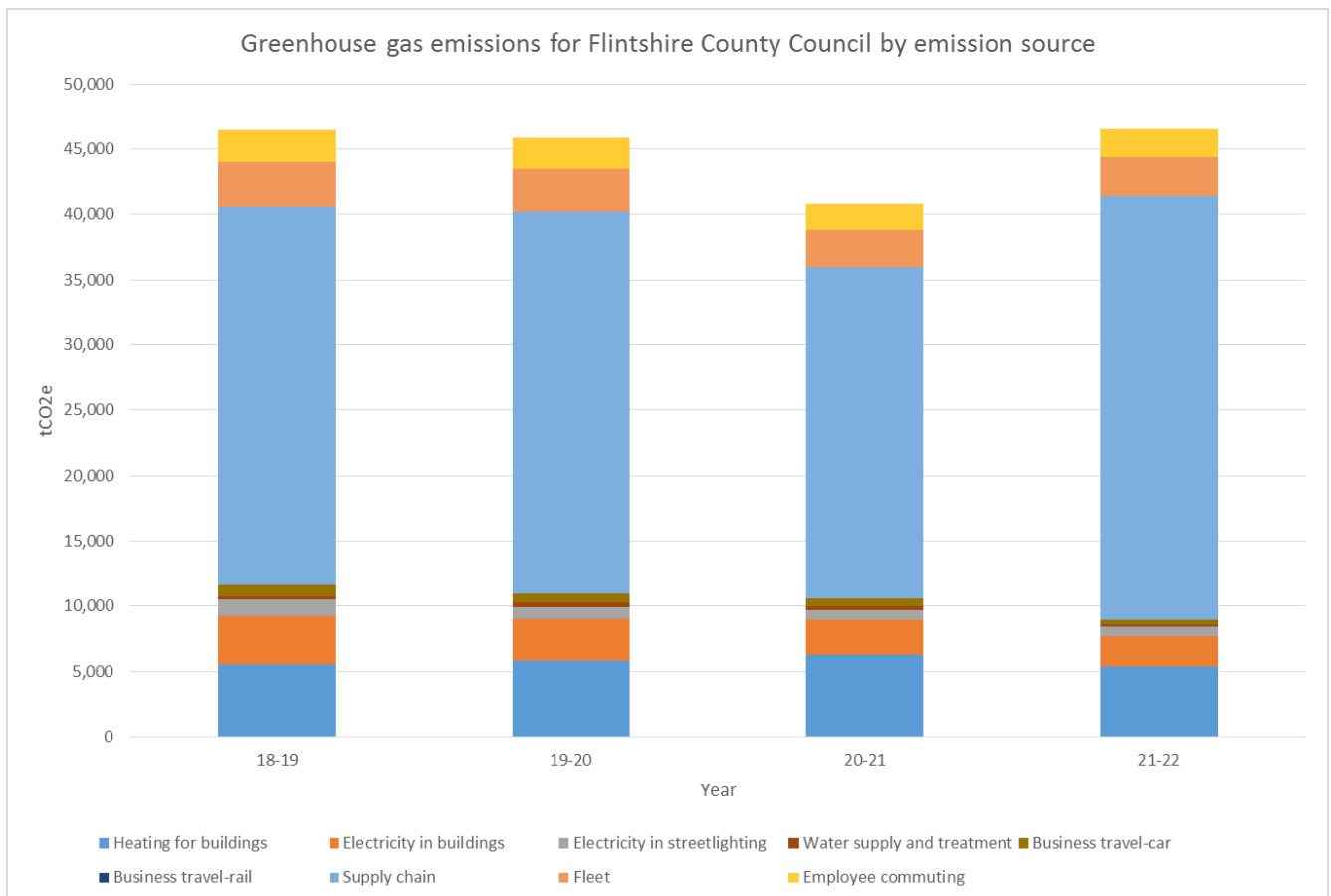


Figure 2: Flintshire County Council GHG emissions over past 4 financial years by emission source

Aside from supply chain, compared to 2018/19 baseline, we saw a 3% reduction in heating from buildings, 37% reduction in electricity in buildings, 44% reduction in electricity from street lighting, 51% reduction in business travel and 15% reduction from fleet. This is reflective of the projects carried out during this reporting year by further reducing emissions from buildings through renewal of heating sources, management of heating controls, other energy efficiency measures and building-mounted renewable energy generation. Emission reductions in business travel and fleet reflect the continuation of hybrid working across the county, and the use of intelligent route mapping for Streetscene and maintenance services.

The methodology used to determine emissions from business mileage and employee commuting continue to have a high level of deviation due to gaps in data records. Data recorded within mileage claims needs to be strengthened so that actual vehicle and fuel types can be captured. This will allow for more accurate calculation of emissions from business travel. An employee survey to determine methods of travel into the workplace and frequency of travel would allow more accurate estimates of related emissions, and the subsequent impact of home working.

The methodology to determine emissions from water use also have a high level of deviation. These figures are currently calculated using invoice cost values. Being able to capture actual water usage figures would improve the accuracy of emissions from water usage across our buildings.

Figure 3 below shows our actual emissions and the milestones we hope to reach between now and 2030. We are currently aiming for a 60% emission reduction in Buildings, 80% emission reduction in Mobility & Transport and 60% reduction in Procurement by 2030.

	Baseline tCO <sub>2</sub> e	Actual Reduction	Targeted Reduction	
Theme	2018/19	2021/22	2024/25	2029/30
Buildings	10,747	13%	35%	60%
Mobility & Transport	6,716	16%	50%	80%
Procurement	28,970	24% increase	30%	60%

Figure 3: Flintshire County Council Carbon Emission Milestones to 2030

To achieve these milestones we set annual targets in each theme as detailed below in Figure 4. The target percentage reduction is compared to the 2018/19 baseline. We overachieved on our reduction targets in Buildings and Mobility & Transport, and underachieved in Procurement as detailed previously.

Theme	2018/19 Baseline tCO <sub>2</sub> e	2021/22 target tCO <sub>2</sub> e % reduction	2021/22 actual tCO <sub>2</sub> e	2021/22 actual tCO <sub>2</sub> e
Buildings	10,747	9%	8,543	13% reduction
Mobility & Transport	6,716	9%	5,504	16% reduction
Procurement	28,970	8%	32,446	24% increase

Figure 4: Flintshire County Council Carbon Emission Targets for 2021/22

## 4 Land Use emissions

Land use emissions are determined using the Welsh Government’s methodology, emission factors for each land type, and our internal knowledge of land types under our ownership and control. Depending on usage, land can have positive or negative net carbon emissions. Settlements and croplands are net emitters while forests and grassland absorb and store carbon. Wetlands and peatlands also have the potential to absorb and store carbon depending on their condition, however the Welsh Government methodology does not currently include emission factors for these land types.

The emission breakdown from our land types can be seen in Figure 5. We are working to better understand and map our land assets so that we can ensure this data is accurate. This exercise also helps us to identify areas of land that could be beneficial for carbon off setting, natural flood defence and biodiversity net gain.

Land Type	Land area ha	Emission factor	Total kg CO2e
Forest land	151.68	-5.420194632	-822135.1219
Grassland	479.91	-1.44069199	-691402.4928
Settlements	1.23	2.104948644	2589.086832
Wetlands	78.91	N/A	

Figure 5: Breakdown of Flintshire County Council Land Types and Carbon impact 2021/22

Figure 6 shows the 2021/22 emissions and removals of kgCO2e based on the above methodology. By increasing the quantity of forest land and grassland we can increase the amount of carbon that we absorb and store. The pan-Wales decarbonisation network are working with Welsh Government to improve the data and emission factors associated with different land types to better reflect the assets that we have within Flintshire land.

Land based emissions	Units of kgCO <sub>2</sub> e	
	Emissions	Removals
Total land based emissions	2,589	- 1,513,538

Figure 6: Summary of Flintshire County Council land based emissions/removals 2021/22

## 5 Renewable Energy generation

The Council continues to invest in renewable energy generation both within its building assets and large scale solar farms. Investing in renewable energy that is consumed onsite allows a reduction in energy used from the grid. This saving is demonstrated in the emissions from electricity use. Investing in renewable energy that is exported into the grid assists in the local and national decarbonisation of energy provision moving us away from reliance on energy generated by burning of fossil fuels. Figure 7 below shows the energy generated and exported from each of our current renewable energy source types.

<i>Renewables</i>	Units of kWh	
	Total generated	Total exported
Onsite renewables – Solar PV mounted	636,395	159,099
Onsite renewables – Wind mounted	10,922	2,731
Onsite renewables – Biogas CHP (Landfill gas turbines)	1,614,723	1,614,723
Onsite renewables – Solar PV ground mounted	721,081	721,081
<b>Renewables</b>	<b>2,983,121</b>	<b>2,497,634</b>

Figure 7: Flintshire County Council Renewable Energy Generation 2021/22

## 6 Next steps and recommendations

It is the role of the Climate Change Committee to oversee and review the progress made against the Council's ambition to become net zero carbon by 2030. The Committee will continue to develop the Climate Change strategy and action plan and oversee implementation of its delivery.

There are areas of the collection and interpretation of carbon emission data that need to be strengthened over the coming year in order to achieve more meaningful data on the Council's carbon emissions. These areas include business mileage, employee commuting, home working, water use and procurement as detailed within this report.

Officer working groups for each of the key themes continue to work through the action plan, troubleshooting, identifying resource needs and developing business cases where necessary.

## Appendix 1 - Glossary

**Biodiversity:** The variety of plant and animal life that make up our natural world or a particular habitat.

**Carbon Dioxide Equivalent (CO<sub>2</sub>e):** the equivalent amount of carbon dioxide that would produce the same amount of global warming over a 100 year timescale.

**Carbon Store:** the amount of carbon stored in the natural environment such as soil, woodland, peatland etc. These may also be described as carbon sinks.

**Council assets:** buildings and land owned by Flintshire County Council.

**Decarbonisation:** reducing the carbon intensity and greenhouse gas emissions of an activity or service or wider organization.

**Net Zero Carbon:** Emissions of greenhouse gases are balanced by the removal of greenhouse gases from the atmosphere such as by trees, peatland and carbon capture and storage technologies.

**Offsetting:** A reduction in GHG emissions (e.g. wind turbines replacing coal) or an increase in carbon storage/GHG removal enhancement (tree planting, peatland restoration) outside of the GHG emissions boundary of an organisation that is used to compensate GHG emissions occurring within the organisation's boundary

**Sequestration:** Removing carbon dioxide from the atmosphere and then storing it, usually through environmental processes such as photosynthesis, absorption by soil, oceans etc.



## Climate Change Programme Action Plan

Ref.	Theme	Action	Target start date	Progress 2021-22
CCBu1	Buildings	All Council buildings and schools electricity delivered through a green energy tariff by 2025	2022	Large percentage of buildings are now included in the green energy tariff. Remaining buildings are being added as and when existing energy contracts end.
CCBu2		Review and rationalise building assets and leases considering new ways of working	2022	The council's Asset Management Plan has been reviewed in line with the climate change strategy and wider Council ambitions. Rationalisation of assets is ongoing.
CCBu3		Improve the standard of energy efficiency within Council buildings through retrofit measures such as; insulation, glazing, installation of efficient / renewable heating systems, and reducing building electricity use.	2022	Energy efficiency works continue to be completed across the Council's assets. A full scoping exercise is needed to determine what remaining improvements can be made and this will inform a completion rate and investment need.
CCBu4		Further explore renewable energy opportunities for Council buildings, council office car parks and depots	2022-23	Work is ongoing with Welsh Government Energy Service to determine feasibility of sites for further renewable energy generation.
CCBu5		Design and refurbish buildings for carbon neutral / low energy operation, biodiversity net benefit and adaptation to the impacts of climate change.	2022	Mandatory requirement for new, extended and refurbished schools to be Net Zero Carbon in operation (NZCio). The first NZCio school is in plan. Ambitious plans also underway for first NZCio care home. New builds are estimated to have 20% cost increase to meet NZC standard.
CCBu6		Ensure green infrastructure is considered throughout all existing Council assets and future schemes	2022	Ongoing process identifying feasibility of potential green infrastructure projects on a case by case basis. Links have been made to ensure officers are consulted on potential of inclusion in future schemes.
CCBu7		Continue to carry out flood investigation and alleviation to identify proactive mitigation measures & prevent recurrent flooding	Ongoing	The Council's Flood Risk Management Strategy is being reviewed and will encompass areas of recurrent flooding.
CCBu8		Prioritise nature based solutions to flooding remediation proposals	Ongoing	This will also be encompassed in the Flood Risk Management Strategy review.

CCBu9	Tudalen 210	Explore feasibility for rainwater harvesting within Council assets, particularly on high water usage sites.	2023	<i>No update</i>
CCBu10		Support schools and Town & Community Councils to reduce operation's emissions and engage with our building users to encourage positive behaviour change	2022	Toolkits are being developed for schools and Town & Community Councils to provide advice and guidance on carbon footprint calculation and mitigation measures. This will include aspects of technology, behaviour and best practice.
CCBu11		Develop plan for the decarbonisation of Council homes in line with Welsh Government guidance to ensure optimised thermal efficiency and minimised cost of heating	2022	Decarbonisation strategy in development. Bid secured through Optimised Retrofit Programme for pilot housing scheme which will inform future schemes. Estimate £80k cost per house to meet NZC.
CCBu12		Continue to deliver programmes with private households and local businesses to reduce fuel poverty and provide access to wider energy efficiency and renewable energy schemes.	Ongoing	The Domestic Energy Efficiency Team continues to provide energy efficiency advice and support with installation of energy efficiency measures. Decarbonisation network developed for Deeside industrial area to develop aims and objectives and share good practice. Funding secured through Shared Prosperity Fund to provide grants for commercial carbon reduction feasibility studies.
CCBu13		Provide support through Flood Risk Planning to businesses and households to better implement property flood resilience	2024	Updated TAN 15 will be available June 2023 with guidance from NRW.

Ref.	Theme	Action	Target start date	Progress 2021/22
CCM1	Mobility & Transport	Review fleet policy with consideration for charging of vehicles.	2022	Policy under review to incorporate decarbonisation of fleet.
CCM2		Learning from accelerated change due to COVID-19, review and implement policies and initiatives that support the reduction of carbon emissions from business mileage. Continue to implement and develop agile working practices to reduce employee journeys and utilise virtual meetings. Act as an example to businesses.	2022-23	Hybrid Working Policy has been published encouraging flexible working approach and utilisation of virtual meetings.

CCM3	T ydale n 211	Ensure vehicle charging points are available at key areas across the county - rural and urban.	2022	17 electric vehicle charging points have been installed across 8 public car park sites across the county.
CCM4		Introduce electric vehicles into the recycling fleet	2022	2 x trial vehicles have been awarded by Welsh Government. These will be implemented into rounds once received and charging infrastructure has been established.
CCM5		Transition of small fleet vehicles to electric and alternative fuels (hydrogen, etc)	2023-24	<i>No update</i>
CCM6		Transition of heavy vehicles to electric or alternative fuels (hydrogen, etc)	2027	<i>No update</i>
CCM7		Facilitate a car sharing forum for employees – once measures post COVID-19 are reviewed.	Post-Covid	<i>No update</i>
CCM8		Actively promote the existing employee cycle to work scheme to increase participation and review cycle storage facilities at principle work places (i.e. County Hall, Mold, County Offices, Flint, Ty Dewi Sant and Alltami Depot)	2022	Review needed of resources required to improve uptake eg. Storage facilities, showering facilities, electric bike charging infrastructure, and sufficient safe cycle routes to work places.
CCM9		Promote and launch a managed salary sacrifice scheme for low and ultra-low emission vehicles.	2022	Launch of scheme delayed due to resource being allocated to other priorities.
CCM10		Promote use of public transport, active travel, and further develop the Council's walking and cycling network	2022	Active Travel Network has gone through consultation and moving to next stage improvements.
CCM11		Promote multi-modal transport journeys and the development of strategic transport hubs. Improve access to storage, charging and hiring facilities.	2022	Review of current transport hubs needed to determine if they are fit for purpose and any additional facilities needed to support active travel connections.
CCM12		Investigate further opportunities for reducing car use with consideration for local contexts and accessibility through ultra-low emission areas, car free zones and pedestrianised streets.	2023	Place plans will be developed during 2023-24 for town centres. The associated consultation processes will include car use needs within each town centre.
CCM13		Work with partners to enable greener fleet in the public transport sector (buses, rail, taxis) including Council contracted services such as school transport	2023	2 x electric buses are being introduced into the public service on a trial basis. This will allow for monitoring and review ready for wider roll out in future.

Ref.	Theme	Action	Target start date	Progress 2021/22
CCP1	Procurement	Review of procurement strategy in line with the Council's carbon ambitions to ensure specific measures around carbon and biodiversity are embedded in procurement process.	2022	Procurement Strategy currently being reviewed to reflect carbon ambitions and need for this to be embedded within procurement processes.
CCP2		Increase the utilisation of the TOMs (Themes, Outcomes and Measures) framework in procurement across the Council's operations by working with employees who manage procurement activities	2022-23	TOMs framework has recently been updated with additional carbon outcomes included. Key tenders need to be identified to target for carbon outcomes.
CCP3		Work collaboratively with Denbighshire County Council to develop a toolkit to ensure all procurement exercises are awarded giving appropriate consideration to carbon reduction priorities and monitor contract against declared emissions. Provide communication and training to all affected employees suppliers and prospective bidders.	2022-23	Working with Welsh Local Government Association (WLGA) to develop a toolkit for implementing carbon measure scoring within tender processes. Expected launch of toolkit early 2023. WLGA will also provide support to officers and suppliers in utilising the toolkit. Dedicated resource is required for embedding this into the Council's procurement process. Potential for joint resource with Denbighshire County Council as Joint Procurement authority.
CCP5		Enable carbon offsetting best practice schemes providing local place-based environmental outcomes, where required	2022-23	Research continues into best practice for carbon offsetting within procurement.
CCP6		Ensure carbon reduction is appropriately considered throughout Council procurement policy, strategy, business cases, commissioning templates, tender evaluations, etc.	2022-23	Commissioning form to be reviewed to include carbon reduction and Exceptions report to be modified to include carbon.
CCP4				

Tudalen 202

CCP7		Increase local participation and stakeholder involvement by working with local businesses to ensure decarbonisation and social value outcomes are achieved	2022-23	<i>No update</i>
CCP8		Work in collaboration where procurement of goods and services can be utilised on a regional or joint basis	2022-23	<i>No update</i>

Ref.	Theme	Action	Target start date	Progress 2021/22
CCL1	Land Use	Identify current carbon storage capacity within Council assets through mapping habitat types	2022-23	Mapping exercise is ongoing. Revenue is needed to commission this work.
CCL2		Investigate the potential of our land assets for new renewable energy installations and operating models and develop these schemes to increase the amount of energy generated from these sources	2022	Work is ongoing with Welsh Government Energy Service to determine feasibility of sites for further renewable energy generation.
CCL3		Undertake a study identifying land for habitat restoration and tree planting schemes within land assets to mitigate climate change and enhance biodiversity	2022-23	Land mapping exercise is ongoing. Sites have been identified for potential tree planting however further feasibility of these sites is needed.
CCL4		Audit the amount of herbicide and pesticide use on Council land assets	2023	Use of herbicide and pesticide is being recorded and where possible use is rationalised and alternatives adopted.
CCL5		Increase proportion of Council land managed for biodiversity	Ongoing	Network of 109 nature areas across county covering 11.8hectares – grassland estate with reduced mowing regime managed for wildflower diversity.
CCL6		Support the increase of tree canopy cover across the county in line with the Urban Tree and Woodland Plan.	Ongoing	Canopy cover at risk due to storm damage and ash dieback. Ash dieback action plan in place and opportunities being developed for further tree planting.
CCL7		Assess impacts of Ash Dieback and tree planting within Flintshire assets on canopy cover and net carbon sequestration	Ongoing	As above.
CCL8		Increase area with reduced mowing regimes to enhance biodiversity and increase carbon storage	Ongoing	<i>No update</i>

CCL9		Strengthen the monitoring of sustainable drainage systems (SuDs) installation and quality in new developments.	Ongoing	<i>No update</i>
CCL10		Explore best practice policies and encourage provision of space for food growing in new developments and vacant and under used sites	2023	Sites receiving improvements such as water harvesting measures. New sites identified for food growing and are going through feasibility. Currently 16 food growing sites across the county covering 3.8hectares.
CCL11		Review and improve recycling provision in Council offices, schools and public buildings and remove use of single-use plastics. Communicate and engage building users to utilise provision	2022-23	Review of recycling provision in Council buildings taking place. Trials of on-demand collections at schools are ongoing.
CCL12	Tudalen 214	Support circular economy initiatives diverting reusable items from disposal through recovery at Household Recycling Centres	Ongoing	Deconstruction and set aside available at household recycling centres for large household items to be repaired and reused or broken down into component parts for recycling. Working with Flintshire Refurbs and local charities.
CCL13		Create guidelines for Council procurement of food in offices, schools, etc, to be local and sustainable	2025	<i>No update</i>
CCL14		Undertake a land use strategy to ensure land is managed and protected for green infrastructure, decarbonisation and biodiversity benefit.	2023	<i>No update</i>
CCL15		Work with Tenant farmers to share best practice on sustainable farming, increasing carbon absorption and biodiversity value.	2023	<i>No update</i>
CCL16		Work with communities to increase biodiversity value and carbon storage.	Ongoing	<i>No update</i>
CCL17		Identify opportunities to acquire new Council land for the purpose of carbon sequestration and biodiversity enhancement.	2023-24	<i>No update</i>

Ref.	Theme	Action	Target start date	Progress 2021/22
CCBe1	Behaviour	Ensure climate change and biodiversity is considered a priority in decision making across all Council services	2022-23	Integrated Impact Assessment, Capital business case template, Asset Management Plan, Procurement Strategy and Due diligence form within Social Services have been reviewed to reflect carbon ambitions. Ongoing exercise to identify and review further key decision making policies.
CCBe2		Ensure Councillors and employees complete carbon literacy / introduction to climate change / Naturewise training. Inclusion of climate change within induction process.	2022-23	20 x Council employees have completed Carbon Literacy training. This should be a mandatory requirement for Elected Members and Senior Managers. Minimal financial cost of £10 per person can be absorbed through existing training budgets. E-learn module for climate change and biodiversity under development as part of a regional commission.
CCBe3		Engage employees and Trade Unions to renew job descriptions to include climate change and biodiversity responsibilities where applicable, e.g. managers, budget holders, planning.	2023-24	<i>No update</i>
CCBe4		Facilitate transition towards a 'paperless Council' through, for example, digitisation of wage slips, report packs, contracts, applications.	2022	Enrolment of new Elected Members included iPad and laptop to remove need for paper-based report packs post-May 2022. Default is that paper copies of reports are not sent out. Behavioural change communicating policy on printing needs to be adopted by Officers and Members.
CCBe5		Facilitate corporate volunteering for climate and biodiversity action	2023-24	<i>No update</i>
CCBe6		Investigate the possibility of divesting pensions and other investment portfolios away from fossil fuels in support of green energy.	2022	Clwyd Pension Fund have a climate change strategy in place to achieve net zero carbon by 2045. Divesting decisions are made by Committee. Investment of £50 mill agreed on clean energy projects in Wales. Sustainable active equity mandate being implemented.

CCBe7		Facilitate community events and activities to raise awareness of climate change and how to reduce carbon footprints.	2023	4 x events taken place as part of Wales Climate Week – energy saving and carbon footprint drop in sessions across the county. 'Calculating your carbon footprint' page launched on FCC website and climate change e-newsletter launched to over 900 subscribers.
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# Eitem ar gyfer y Rhaglen 6



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 25 <sup>th</sup> January 2023
<b>Report Subject</b>	Public Services Ombudsman for Wales Annual Letter 2021-22 and complaints made against Flintshire County Council during the first half of 2022-23
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The purpose of this report is to share the Public Services Ombudsman for Wales (PSOW) Annual Letter 2021-22 for Flintshire County Council.

The Ombudsman's Annual Letter provides an overview of the annual performance of the Council in relation to complaints investigated in 2021-22.

Matthew Harris, Head of the Complaints Standards Authority will join the Committee to provide an overview of the Ombudsman's role and Annual Letters.

This report also provides an overview of complaints received by each portfolio of the Council between 1 April – 30 September 2022.

### RECOMMENDATIONS

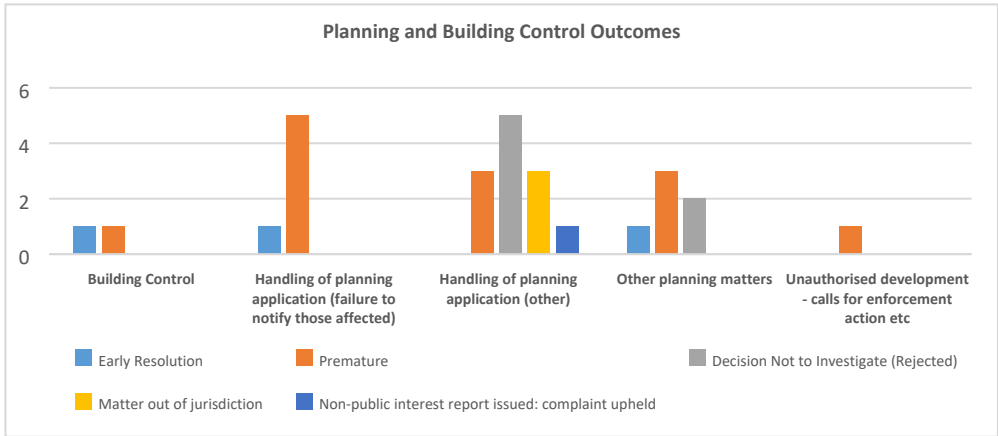
1	That the Committee notes the annual performance of the Council in respect of complaints made to the Public Services Ombudsman for Wales during 2021-22.
2	That the Committee notes the 2022-23 half year performance of the Council in respect of complaints made to services in line with its complaints procedure.
3	That the Committee supports the actions outlined in paragraph 1.15 to further improve complaints handling across the Council.

## REPORT DETAILS

1.00	<b>EXPLAINING THE PUBLIC SERVICES OMBUDSMAN FOR WALES ANNUAL LETTER 2021-22</b>																								
1.01	Michelle Morris, the new Public Services Ombudsman for Wales (“Ombudsman”) published her first Annual Letter on performance as part of her Annual Report and Accounts in August 2022. The letter shares information from the past year where public bodies in Wales and the Ombudsman are still dealing with the effects of the pandemic.																								
1.02	The number of new complaints against local authorities in Wales increased by 47% in 2021-22 compared to the previous year. This is a record number of cases to the Ombudsman over the last two years and well above pre pandemic levels. It is likely that complaints to the Ombudsman, and public services in general, were suppressed during the pandemic, and we are now starting to see a ‘rebound’ effect.																								
1.03	The Ombudsman intervened (upheld, settled or resolved at an early stage) in a similar proportion of complaints about public bodies, 18%, when compared with recent years. Intervention rates (where the Ombudsman has investigated complaints) for local authorities also remained at a similar level – 14% compared to 13% in recent years.																								
1.04	Appended to this report is a link to the Annual Letter detailing Flintshire’s performance and comparative data. The following paragraphs provide a summary of performance and additional context in response to the findings.																								
1.05	Section A – 99 complaints were made against Flintshire in 2021-22, an increase on the previous year (59). This figure reflects the Ombudsman’s findings that complaints against local authorities increased by 47%.																								
1.06	<p>Whilst a higher than average figure, this should not be viewed unfavourably because 80% of complaints to the Ombudsman were closed because they were out of jurisdiction, premature or closed after initial consideration. The table below illustrates the higher than average figures compared to North Wales and Wales as a whole:</p> <table border="1" data-bbox="309 1473 1347 1765"> <thead> <tr> <th></th> <th>Wales Average</th> <th>North Wales Average</th> <th>Flintshire Actual</th> </tr> </thead> <tbody> <tr> <td>Number of complaints</td> <td>52</td> <td>50</td> <td>99</td> </tr> <tr> <td>Out of jurisdiction complaints</td> <td>9</td> <td>10</td> <td>14</td> </tr> <tr> <td>Premature complaints</td> <td>15</td> <td>15</td> <td>37</td> </tr> <tr> <td>Closed after initial consideration</td> <td>19</td> <td>18</td> <td>28</td> </tr> <tr> <td>Total complaints after "no further action cases"</td> <td>10</td> <td>8</td> <td>20</td> </tr> </tbody> </table>		Wales Average	North Wales Average	Flintshire Actual	Number of complaints	52	50	99	Out of jurisdiction complaints	9	10	14	Premature complaints	15	15	37	Closed after initial consideration	19	18	28	Total complaints after "no further action cases"	10	8	20
	Wales Average	North Wales Average	Flintshire Actual																						
Number of complaints	52	50	99																						
Out of jurisdiction complaints	9	10	14																						
Premature complaints	15	15	37																						
Closed after initial consideration	19	18	28																						
Total complaints after "no further action cases"	10	8	20																						
1.07	It should also be noted that a number of complaints made against Flintshire from a person who repeats their complaint to the Ombudsman despite not exhausting Flintshire’s process, or not accepting decisions. For example, Ms. X complained to the Ombudsman on six occasions in 2021-22 and all complaints were rejected. This is one case to Flintshire, but the Ombudsman records six complaints.																								

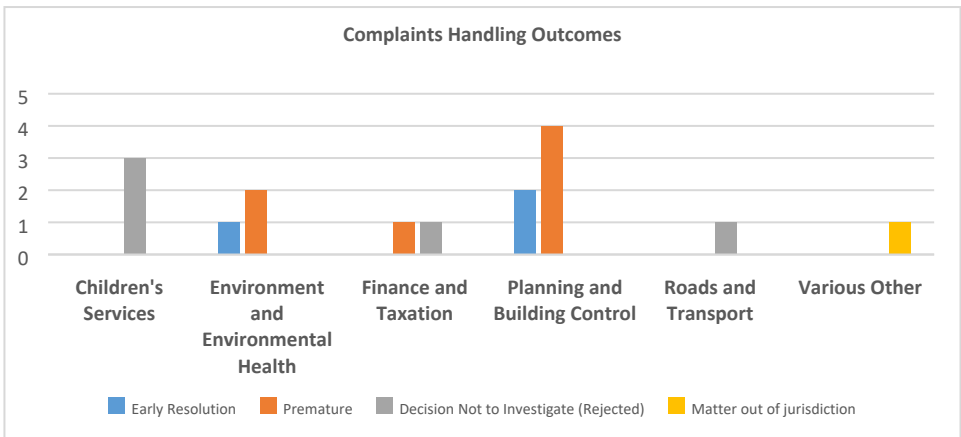
1.08 It is difficult to control how and when complainants access the Ombudsman service, but it is reassuring that the percentage of premature complaints fell from 59.32% in 2020-21 to 37.37% which may be attributed to improvements in promoting Flintshire’s complaints procedure and keeping complainants informed.

1.09 Section B – Planning and Building Control received the highest volume of complaints in 2021-22 (31) accounting for 31% of all cases against Flintshire. The table below provides a breakdown about the nature of these complaints and it also illustrates that a high percentage were premature or rejected.



Flintshire’s performance reflects the trend across Wales with Planning and Building Control being the most common complaint to the Ombudsman in relation to local authorities.

1.10 In terms of volume, “complaints handling” was the next highest number of complaints to the Ombudsman (17). The cases relate to various services and the table below illustrates that the majority of these cases were premature or rejected.



1.11 Section C - of the complaints that were made against Flintshire there were improvements compared to the previous year:

- 54% of complaints were out of jurisdiction or premature (66% the previous year) ↗
- 30% of complaints were closed after initial consideration (18% the previous year) ↗

	<ul style="list-style-type: none"> <li>13% of complaints were resolved through early resolution (15% the previous year) ↗</li> </ul> <p>97% of Flintshire’s complaints to the Ombudsman were closed at their “assessment” stage. Three complaints went to investigation and resulted in a non-public interest report because the complaint was upheld:</p> <table border="1" data-bbox="317 383 1367 701"> <tr> <td data-bbox="317 383 644 495">Planning and Building Control</td> <td data-bbox="644 383 968 495">Handling of planning application (other)</td> <td data-bbox="968 383 1367 495">Redress - other action by listed authority (excluding financial redress)</td> </tr> <tr> <td data-bbox="317 495 644 595">Children’s Social Services</td> <td data-bbox="644 495 968 595">Safeguarding</td> <td data-bbox="968 495 1367 595">Redress - apology</td> </tr> <tr> <td data-bbox="317 595 644 701">Adult Social Services</td> <td data-bbox="644 595 968 701">Other</td> <td data-bbox="968 595 1367 701">Financial redress alone or financial redress plus apology</td> </tr> </table>	Planning and Building Control	Handling of planning application (other)	Redress - other action by listed authority (excluding financial redress)	Children’s Social Services	Safeguarding	Redress - apology	Adult Social Services	Other	Financial redress alone or financial redress plus apology
Planning and Building Control	Handling of planning application (other)	Redress - other action by listed authority (excluding financial redress)								
Children’s Social Services	Safeguarding	Redress - apology								
Adult Social Services	Other	Financial redress alone or financial redress plus apology								
1.12	Section D – 16% of Flintshire’s complaints required intervention by the Ombudsman, which is slightly higher than the Welsh average (14%), which means they were dealt with through early resolution or a voluntary settlement. This is a reduction on the previous year (18%).									
1.13	Sections E and F of the Annual Letter are the remit of the Standards Committee.									
1.14	<p>During 2021-22 Flintshire achieved:</p> <ul style="list-style-type: none"> <li>Reviewed public information about Flintshire’s complaints procedure to help reduce the number of premature complaints to the Ombudsman;</li> <li>Refreshed <a href="#">website for making a complaint</a>;</li> <li>Scheduled a programme of mandatory complaints training for Team Leader+ roles in collaboration with the Ombudsman; <ul style="list-style-type: none"> <li>386 employees to attend</li> <li>70 (18%) attended in 2021</li> <li>61 (16%) attending in 2022</li> </ul> </li> <li>Introduced a refreshed Managing Customer Contact Policy to take in to consideration unacceptable behaviour on social media;</li> <li>New toolkit for employees on how to manage unacceptable behaviour on social media;</li> <li>Introduced <a href="#">Social Media House Rules</a> to explain how we expect everyone to behave when contacting us through social media channels;</li> <li>Continued collective work with Councils across Wales and the Ombudsman to record complaints performance data to drive improvement in public services for citizens in Wales.</li> </ul>									

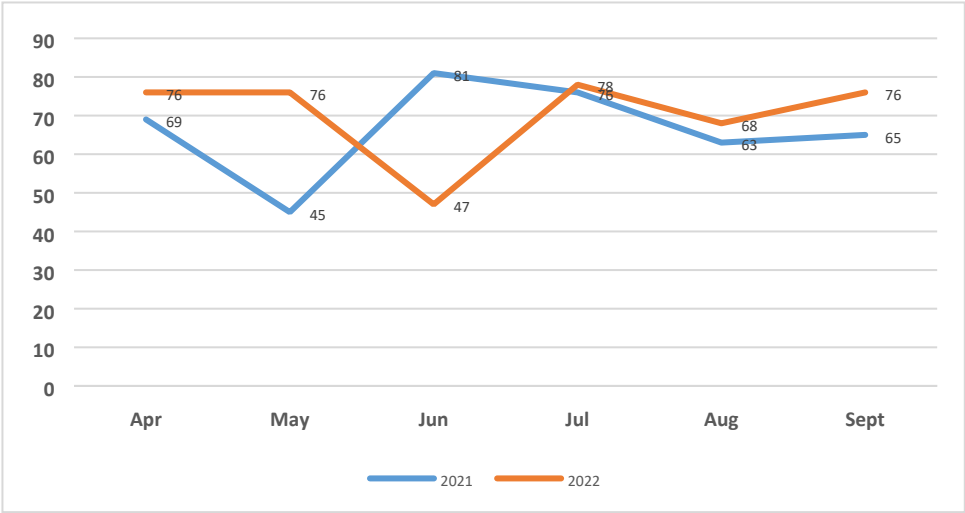
1.15	<p>The following actions will be taken forward in 2022-23 to further improve complaints handling:</p> <ul style="list-style-type: none"> <li>• Continue a programme of complaints training to support and enhance complaint handling by considering best practice from multiple sectors from around the world;</li> <li>• Explore the option to deliver complaints training in house to accelerate the programme of mandatory training for Team Leader+ roles – so far 131 out of 386 have been booked on to complaints handling courses;</li> <li>• Develop a toolkit for Schools and elected Members on how to manage unacceptable behaviour on social media;</li> <li>• A review of the electronic system used to record complaints to ensure it is fit for purpose;</li> <li>• Implementation any recommendations following an internal audit inspection in quarter 3 of 2022-23.</li> </ul>
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**1.16 Flintshire County Council Complaints 1 April – 30 September 2022**

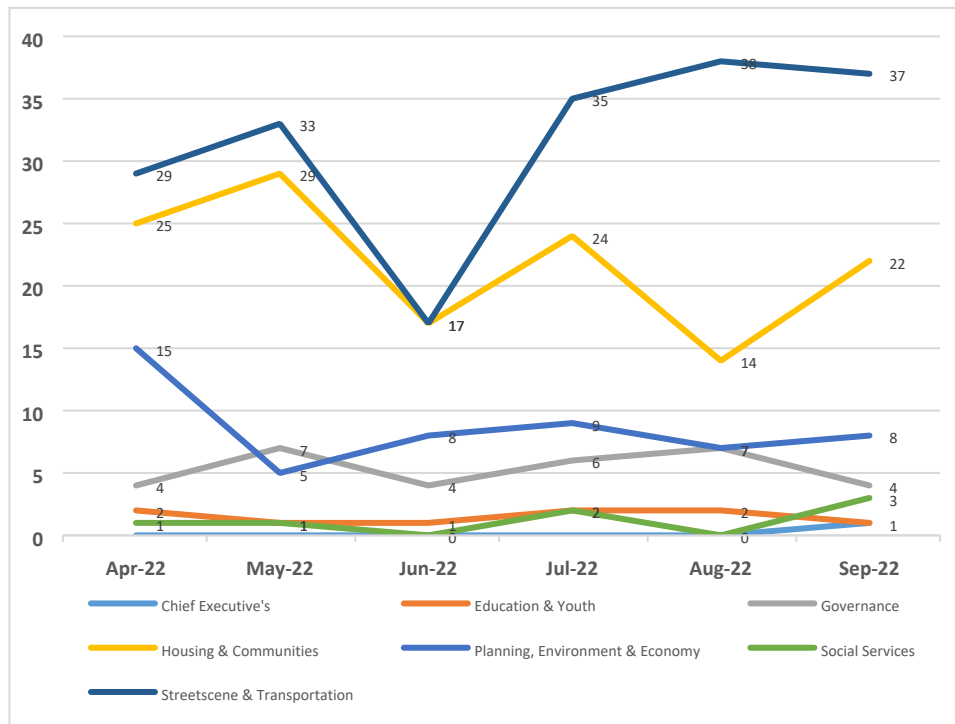
1.17	<p>The Council received 421 complaints in the first half of 2022, up by 22 compared to the same period in 2021. 65% of complaints were considered within 10 working days which is an improvement of 8% compared to 2021. Encouragingly 86% of all complaints were considered within 20 working days which is another improvement of 6% on the previous year.</p>
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1.18	<p>The charts below illustrate the overall number of complaints received in the first half of 2022 and the distribution of complaints by portfolio:</p>
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**Chart 1 – Half Year Statistics 2022**



**Chart 2 – Complaints by Portfolio 2022**



1.19 Complaints were quite evenly spread throughout the first half of 2022, and those areas providing frontline services such as Streetscene and Housing received the most complaints which is a trend across local authorities in Wales.

1.20 The Council aims to respond to complaints within 10 working days. The table below provides data on the number of complaints received between 1 April – 30 September 2022 and the timeliness of responses:

**Chart 3**

Portfolio	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Chief Executive's	0	0	0	0	0	1
Education & Youth	2	1	1	2	2	1
Governance	4	7	4	6	7	4
Housing & Communities	25	29	17	24	14	22
Planning, Environment & Economy	15	5	8	9	7	8
Social Services	1	1	0	2	0	3
Streetscene & Transportation	29	33	17	35	38	37
<b>Total Number of Complaints</b>	<b>76</b>	<b>76</b>	<b>47</b>	<b>78</b>	<b>68</b>	<b>76</b>
<b>% Closed Within 10 Working Days</b>	<b>74%</b>	<b>80%</b>	<b>62%</b>	<b>59%</b>	<b>66%</b>	<b>78%</b>
<b>% Closed Within 20 Working Days</b>	<b>18%</b>	<b>11%</b>	<b>30%</b>	<b>28%</b>	<b>19%</b>	<b>16%</b>

#### Chart 4

Portfolio	Number of Complaints	% of Complaints	% Within Target	% Within 20 Working Days
Chief Executive's	1	0.24%	0%	100%
Education & Youth	9	2.14%	89%	11%
Governance	32	7.60%	88%	12%
Housing & Communities	131	31.12%	66%	24%
Planning, Environment & Economy	52	12.35%	44%	23%
Social Services	7	1.66%	86%	0%
Streetscene & Transportation	189	44.89%	73%	21%

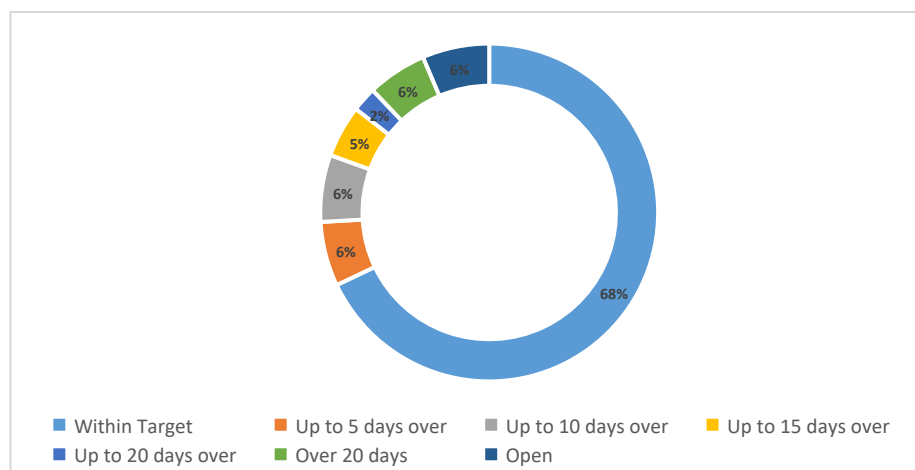
#### Chart 5

Portfolio	% Within Target 2021	% Within Target 2022	Improved	
Chief Executive's	N/A	N/A	N/A	N/A
Education & Youth	75%	89%	14%	↗
Governance	55%	88%	33%	↗
Housing & Communities	57%	66%	9%	↗
Planning, Environment & Economy	36%	44%	8%	↗
Social Services	78%	86%	8%	↗
Streetscene & Transportation	60%	73%	13%	↗

The timeliness of complaint responses vary across portfolios but it is encouraging to note an improvement in complaint performance across all portfolios (see Chart 5). Performance reports are now routinely shared with Chief Officers on a monthly basis to drive improvements in the timeliness of complaint responses. Whilst there will be occasions where complaints cannot be dealt with within 10 working days, customers will be kept informed and a high percentage are resolved shortly after the 10 day timescale unless they are complex cases (see Chart 4).

1.21 The chart below illustrates the average time taken to respond to complaints in the first half year of 2022:

#### Chart 6 – Timeliness of complaint responses



1.22	Appendix 2 provides an illustration of what people complained about, and the outcome reached by portfolios.
1.23	The Social Services and Wellbeing Act (Wales) 2014 and Social Services Complaints Procedure Regulations 2014, requires Local Authorities to maintain a separate representations and complaints procedure for social services functions. Social Services' complaints report for 2021-22 is reported to the Social and Health Care Overview and Scrutiny Committee.
1.24	<p>Performance across portfolios remains under regular review:</p> <ul style="list-style-type: none"> <li>• Designated portfolio leads for escalating issues;</li> <li>• Sharing monthly performance data with Chief Officers and portfolios leads;</li> <li>• Portfolio management teams regularly reviewing their performance;</li> <li>• Staff guidance defining requests for service and complaints;</li> <li>• Guide to Good Complaints Handling available on InfoNet.</li> </ul>
1.25	<p><b>Conclusion and priorities</b></p> <p>The Council will continue to engage positively with the Ombudsman and the Complaints Standards Authority to learn more about the complaints landscape in Wales to help us drive improvement in services. For the year ahead we are committed to:</p> <ul style="list-style-type: none"> <li>• Monitor public information about Flintshire's complaints procedure to ensure complainants follow the correct procedure thus reducing the number of premature complaints to the Ombudsman;</li> <li>• Continue a programme of complaints training to support and enhance complaint handling –mandatory for roles at Team Leader level and above;</li> <li>• New toolkit for Schools and elected Members on how to manage unacceptable behaviour on social media;</li> <li>• A review of the electronic system used to record complaints to ensure it is fit for purpose;</li> <li>• Ongoing support to all services through regular sharing of performance data to help manage casework and keep complainants informed where targets are not achievable;</li> <li>• Implement the recommendations of an internal audit report as necessary.</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None.

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



<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None.


<b>5.00</b>	<b>APPENDICES</b>
5.01	<b>Appendix 1</b> – Public Services Ombudsman for Wales Annual Letter.
5.02	<b>Appendix 2</b> - Flintshire County Council complaint categories by portfolio.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>A copy of the Annual Letter is published on the Ombudsman’s website - <a href="https://www.ombudsman.wales/wp-content/uploads/2022/08/Flintshire-Eng.pdf">https://www.ombudsman.wales/wp-content/uploads/2022/08/Flintshire-Eng.pdf</a></p> <p><b>Contact Officer:</b> Rebecca Jones, Customer Contact Service Manager  <b>Telephone:</b> 01352 702413  <b>E-mail:</b> <a href="mailto:rebecca.jones@flintshire.gov.uk">rebecca.jones@flintshire.gov.uk</a></p>


<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Public Services Ombudsman for Wales</b> – investigates complaints against public service providers in Wales where people believe they have suffered an injustice through maladministration on the part of the public service provider e.g. a local authority.</p> <p><b>Complaints Standards Authority</b> – a team within the Public Services Ombudsman for Wales’ office focused on ensuring the procedures to complain to public service providers in Wales are complainant focused, simple, fair and objective, timely and effective, accountable and committed to continuous improvement.</p>

Mae'r dudalen hon yn wag yn bwrpasol

Ask for: Communications

 01656 641150

Date: August 2022

 communications@ombudsman.wales

Cllr. Ian Roberts  
Flintshire County Council  
By Email only: [ian.b.roberts@flintshire.gov.uk](mailto:ian.b.roberts@flintshire.gov.uk)

## Annual Letter 2021/22

Dear Councillor Roberts

I am pleased to provide you with the Annual letter (2021/22) for Flintshire County Council which deals with complaints relating to maladministration and service failure, complaints relating to alleged breaches of the Code of Conduct for Councillors and the actions being taken to improve public services

This is my first annual letter since taking up the role of Public Services Ombudsman in April 2022, and I appreciate that the effects of the pandemic are still being felt by all public bodies in Wales. Our office has not been immune from this, with records numbers of cases being referred to us over the last two years. The strong working relationships between my Office and local authorities continues to deliver improvements in how we are dealing with complaints and ensuring that, when things go wrong, we are learning from that and building stronger public services.

### Complaints relating to Maladministration & Service Failure

Last year the number of complaints referred to us regarding Local Authorities increased by 47% (compared to 20/21 figures) and are now well above pre-pandemic levels. It is likely that complaints to my office, and public services in general, were suppressed during the pandemic, and we are now starting to see the expected 'rebound' effect.

During this period, we intervened in (upheld, settled or resolved at an early stage) a similar proportion of complaints about public bodies, 18%, when compared with recent years. Intervention rates (where we have investigated complaints) for Local Authorities also remained at a similar level – 14% compared to 13% in recent years.

## Complaints relating to the Code of Conduct for Councillors

We also received a high number of Code of Conduct complaints last year, relating to both Principal Councils and Town and Community Councils. A record number (20) were referred to either the Adjudication Panel for Wales or local standards committees, due to evidence of a breach of the Code.

## Supporting improvement of public services

In addition to managing record levels of complaints, we also continued our work using our proactive powers in the Public Services Ombudsman (Wales) Act 2019. Specifically undertaking our first Own Initiative Investigation and continuing our work on the Complaints Standards Authority.

October 2021 saw the publication of the first own initiative investigation in Wales: [Homelessness Reviewed](#). The investigation featured three Local Authorities and sought to scrutinise the way Homelessness assessments were conducted. The report made specific recommendations to the investigated authorities, as well as suggestions to all other Local Authorities in Wales and Welsh Government. Some of these recommendations will bring about immediate change – updating factsheets and letter and assessment templates to ensure that key equality and human rights considerations are routinely embedded into processes for example – all the recommendations were designed to bring about tangible change to people using homelessness services in Wales.

The Complaints Standards Authority (CSA) continued its work with public bodies in Wales last year. The model complaints policy has already been adopted by local authorities and health boards in Wales, we have now extended this to an initial tranche of Housing Associations and Natural Resources Wales. The aim being to implement this work across the Welsh public sector.

In addition to this, the CSA published information on complaints handled by local authorities for the [first time](#) – a key achievement for this work. The data for 21/22 showed:

- Over 15,000 complaints were recorded by Local Authorities
- 4.88 for every 1000 residents.
- Nearly half (46%) of those complaints were upheld.
- About 75% were investigated within 20 working days.
- About 8% of all complaints closed ended up being referred to PSOW.

The CSA has now implemented a model complaints policy with nearly 50 public bodies, and delivered 140 training sessions, completely free of charge, during the last financial year. The feedback has been excellent, and the training has been very popular - so I would encourage Flintshire County Council to engage as fully as possible.

## **Complaints made to the Ombudsman**

A summary of the complaints of maladministration/service failure received relating to your Council is attached, along with a summary of the Code of Conduct complaints relating to members of the Council and the Town & Community Councils in your area.

In light of the new duties on political leaders and standards committees to promote and maintain high standards of conduct of their members, we look forward to working with you, your Monitoring Officer and standards committees to share any learning from the complaints we receive and to support your authority's work.

I would also welcome feedback on your Governance & Audit Committee's review of your authority's ability to handle complaints effectively so that we can take this into account in our work and support its work on the handling of complaints.

Finally, can I thank you and your officials for the positive way that local authorities have engaged with my Office to enable us to deliver these achievements during what has been a challenging year for everyone. I very much look forward to continuing this work and collaboration to ensure we further improve public services across Wales.

Further to this letter can I ask that your Council takes the following actions:

- Present my Annual Letter to the Cabinet and to the Governance & Audit Committee to assist members in their scrutiny of the Council's performance and share any feedback from the Cabinet and the Governance & Audit Committee with my office.
- Continue to engage with our Complaints Standards work, accessing training for your staff, fully implementing the model policy, and providing complaints data.
- Inform me of the outcome of the Council's considerations and proposed actions on the above matters by 30 September.

This correspondence is copied to the Chief Executive of your Council and to your Contact Officer. Finally, a copy of all Annual Letters will be published on my website.

Yours sincerely,



**Michelle Morris**

**Public Services Ombudsman**

cc. Neal Cockerton, Chief Executive, Flintshire County Council.

By Email only: [chief.executive@flintshire.gov.uk](mailto:chief.executive@flintshire.gov.uk)

## Factsheet

### Appendix A - Complaints Received

Local Authority	Complaints Received	Received per 1000 residents
Blaenau Gwent County Borough Council	14	0.20
Bridgend County Borough Council	55	0.37
Caerphilly County Borough Council	60	0.33
Cardiff Council*	182	0.50
Carmarthenshire County Council	54	0.29
Ceredigion County Council	52	0.72
Conwy County Borough Council	27	0.23
Denbighshire County Council	34	0.36
Flintshire County Council	99	0.63
Gwynedd Council	39	0.31
Isle of Anglesey County Council	29	0.41
Merthyr Tydfil County Borough Council	27	0.45
Monmouthshire County Council	20	0.21
Neath Port Talbot Council	45	0.31
Newport City Council	40	0.26
Pembrokeshire County Council	39	0.31
Powys County Council	55	0.42
Rhondda Cynon Taf County Borough Council	51	0.21
Swansea Council	71	0.29
Torfaen County Borough Council	18	0.19
Vale of Glamorgan Council	61	0.46
Wrexham County Borough Council	71	0.52
<b>Total</b>	<b>1143</b>	<b>0.36</b>

\* inc 17 Rent Smart Wales

Appendix B - Received by Subject

<b>Flintshire County Council</b>	<b>Complaints Received</b>	<b>% Share</b>
Adult Social Services	7	7%
Benefits Administration	1	1%
Children's Social Services	8	8%
Community Facilities, Recreation and Leisure	1	1%
Complaints Handling	17	17%
Covid19	1	1%
Education	0	0%
Environment and Environmental Health	9	9%
Finance and Taxation	2	2%
Housing	11	11%
Licensing	0	0%
Planning and Building Control	31	31%
Roads and Transport	10	10%
Various Other	1	1%
<b>Total</b>	<b>99</b>	

Tudalen 231

## Appendix C - Complaint Outcomes (\* denotes intervention)

County/County Borough Councils	Out of Jurisdiction	Premature	Other cases closed after initial consideration	Early Resolution/ voluntary settlement*	Discontinued	Other Reports- Not Upheld	Other Reports Upheld*	Public Interest Report*	Total
Flintshire County Council	14	37	28	12	0	0	3	0	94
% Share	15%	39%	30%	13%	0%	0%	3%	0%	

Tudalen 232



## Appendix D - Cases with PSOW Intervention

	No. of interventions	No. of closures	% of interventions
Blaenau Gwent County Borough Council	0	13	0%
Bridgend County Borough Council	7	54	13%
Caerphilly County Borough Council	7	58	12%
Cardiff Council	45	159	28%
Cardiff Council - Rent Smart Wales	1	16	6%
Carmarthenshire County Council	7	49	14%
Ceredigion County Council	13	46	28%
Conwy County Borough Council	2	24	8%
Denbighshire County Council	4	33	12%
Flintshire County Council	15	94	16%
Gwynedd Council	6	41	15%
Isle of Anglesey County Council	3	28	11%
Merthyr Tydfil County Borough Council	2	26	8%
Monmouthshire County Council	2	21	10%
Neath Port Talbot Council	5	45	11%
Newport City Council	4	36	11%
Pembrokeshire County Council	2	40	5%
Powys County Council	7	55	13%
Rhondda Cynon Taf County Borough Council	3	45	7%
Swansea Council	10	76	13%
Torfaen County Borough Council	2	20	10%
Vale of Glamorgan Council	9	62	15%
Wrexham County Borough Council	4	67	6%
<b>Total</b>	<b>160</b>	<b>1108</b>	<b>14%</b>

## Appendix E - Code of Conduct Complaints

County/County Borough Councils	Discontinued	No evidence of breach	No action necessary	Refer to Adjudication Panel	Refer to Standards Committee	Withdrawn	Total
Flintshire County Council	1	2	0	0	0	0	3

Tudalen 234

## Appendix F - Town/Community Council Code of Complaints

Town/Community Council	Discontinued	No evidence of breach	No action necessary	Refer to Adjudication Panel	Refer to Standards Committee	Withdrawn	Total
Broughton & Bretton Community Council	1	0	0	0	0	0	1
Buckley Town Council	0	1	0	0	0	0	1
Connah's Quay Town Council	0	2	0	0	0	0	2
Gwaenysgor & Trelawnyd Community Council	-	-	-	-	-	-	0
Gwernaffield and Pantymwyn Community Council	1	1	0	0	0	0	2
Hawarden Community Council	0	1	0	0	0	0	1
Holywell Town Council	2	0	0	0	0	0	2
Llanfynydd Community Council [Flintshire]	-	-	-	-	-	-	0
Mostyn Community Council	1	1	0	0	0	0	2
Saltney Town Council	0	1	0	0	0	0	1

## Information Sheet

Appendix A shows the number of complaints received by PSOW for all Local Authorities in 2021/2022. These complaints are contextualised by the number of people each health board reportedly serves.

Appendix B shows the categorisation of each complaint received, and what proportion of received complaints represents for the Local Authority.

Appendix C shows outcomes of the complaints which PSOW closed for the Local Authority in 2021/2022. This table shows both the volume, and the proportion that each outcome represents for the Local Authority.

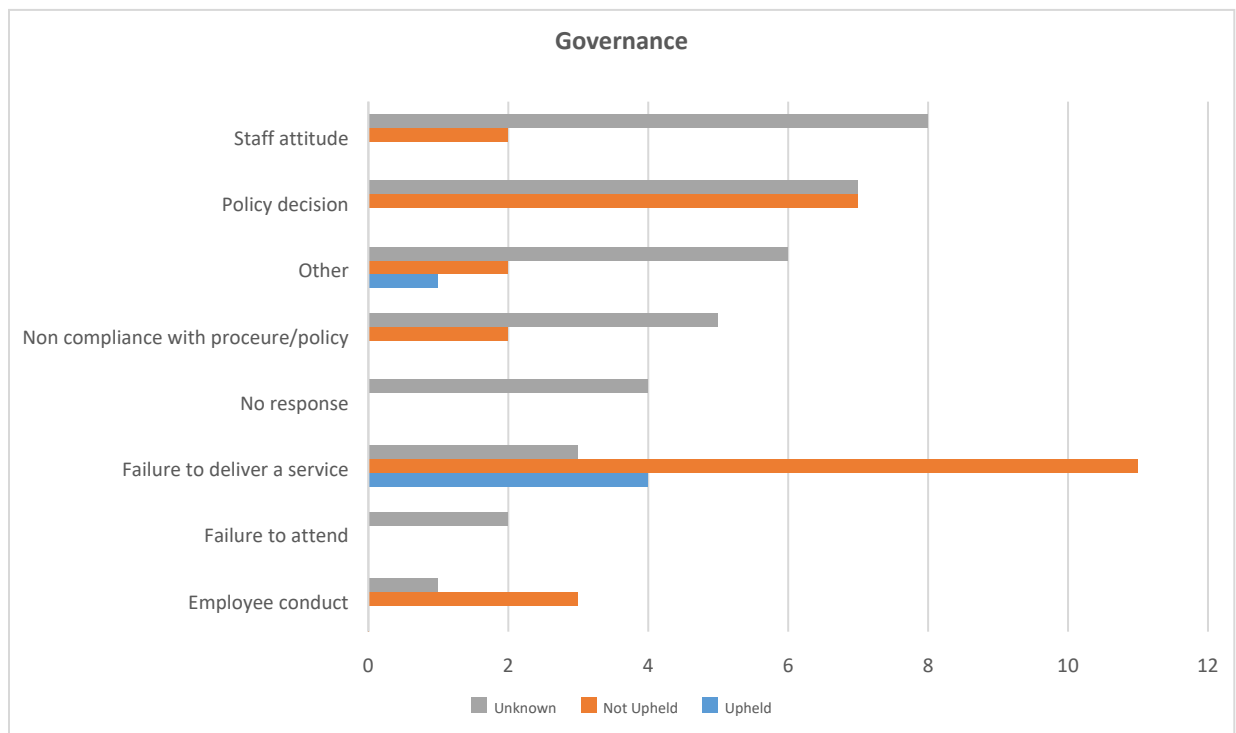
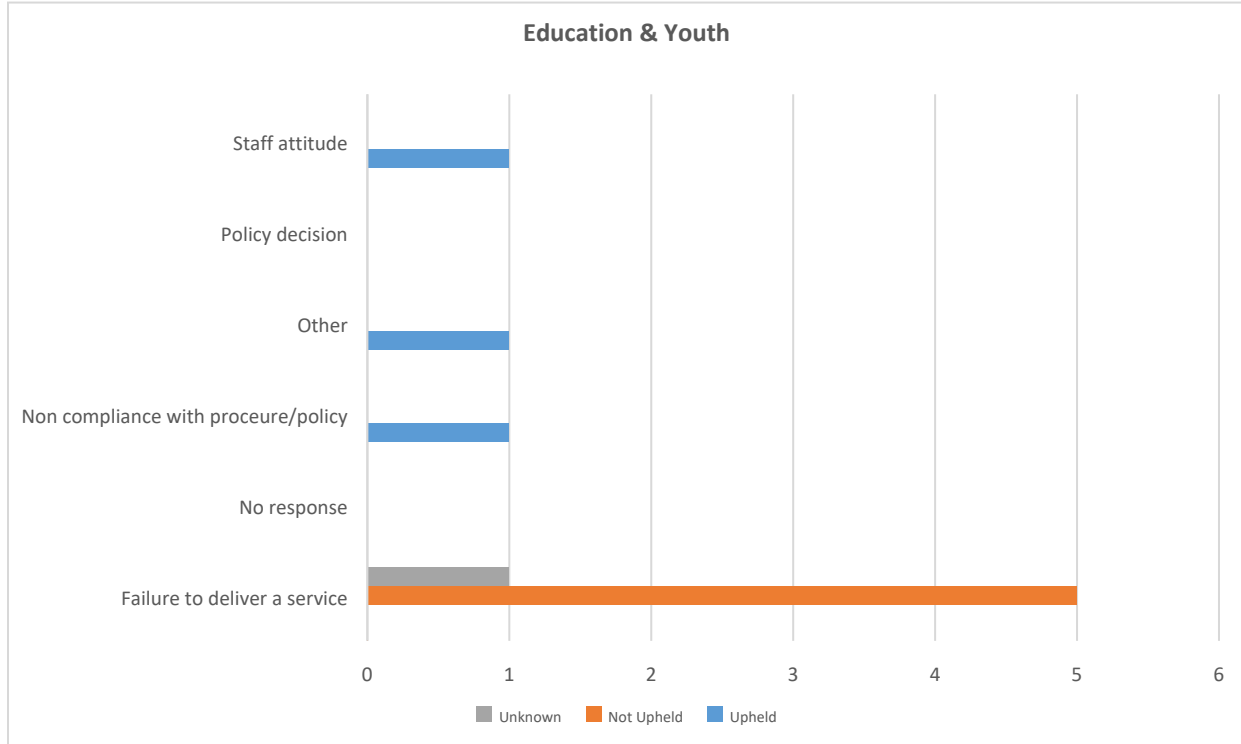
Appendix D shows Intervention Rates for all Local Authorities in 2021/2022. An intervention is categorised by either an upheld complaint (either public interest or non-public interest), an early resolution, or a voluntary settlement.

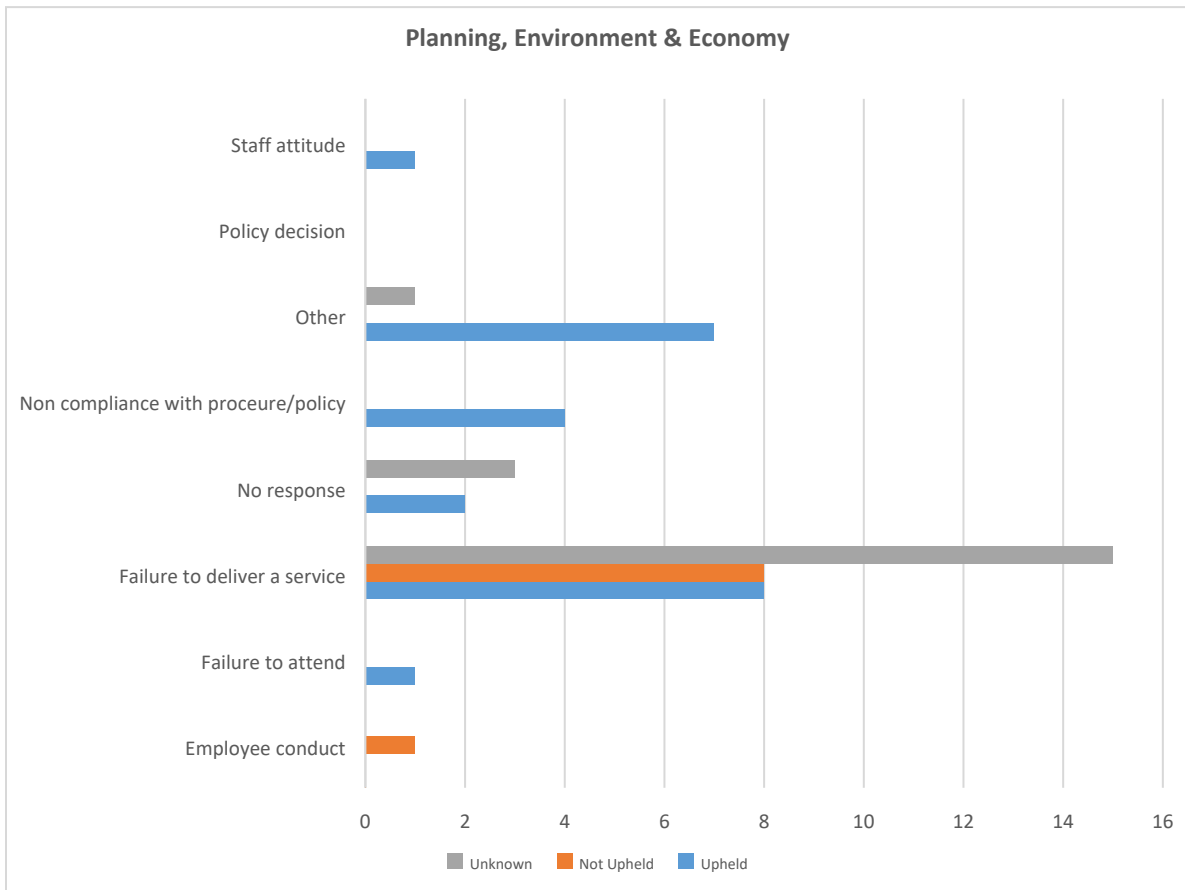
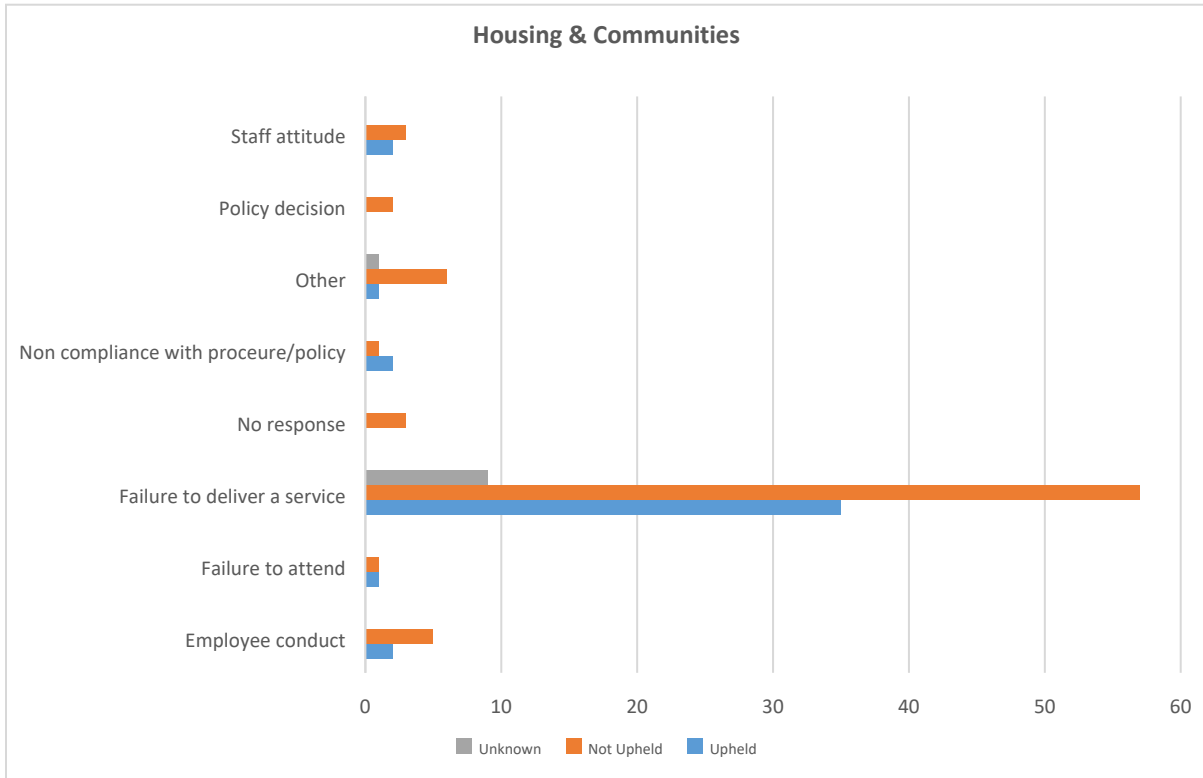
Appendix E shows the outcomes of Code Of Conduct complaints closed by PSOW related to Local Authority in 2021/2022. This table shows both the volume, and the proportion that each outcome represents for the Local Authority.

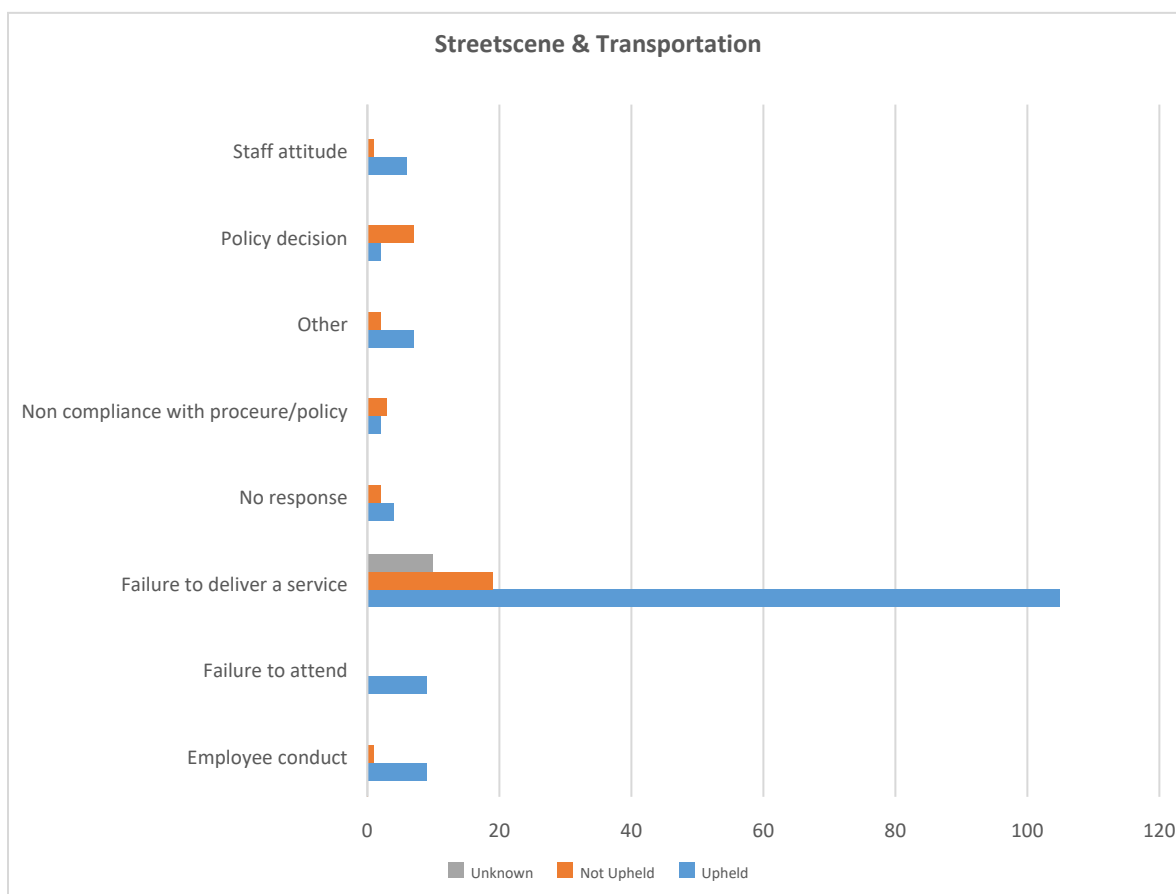
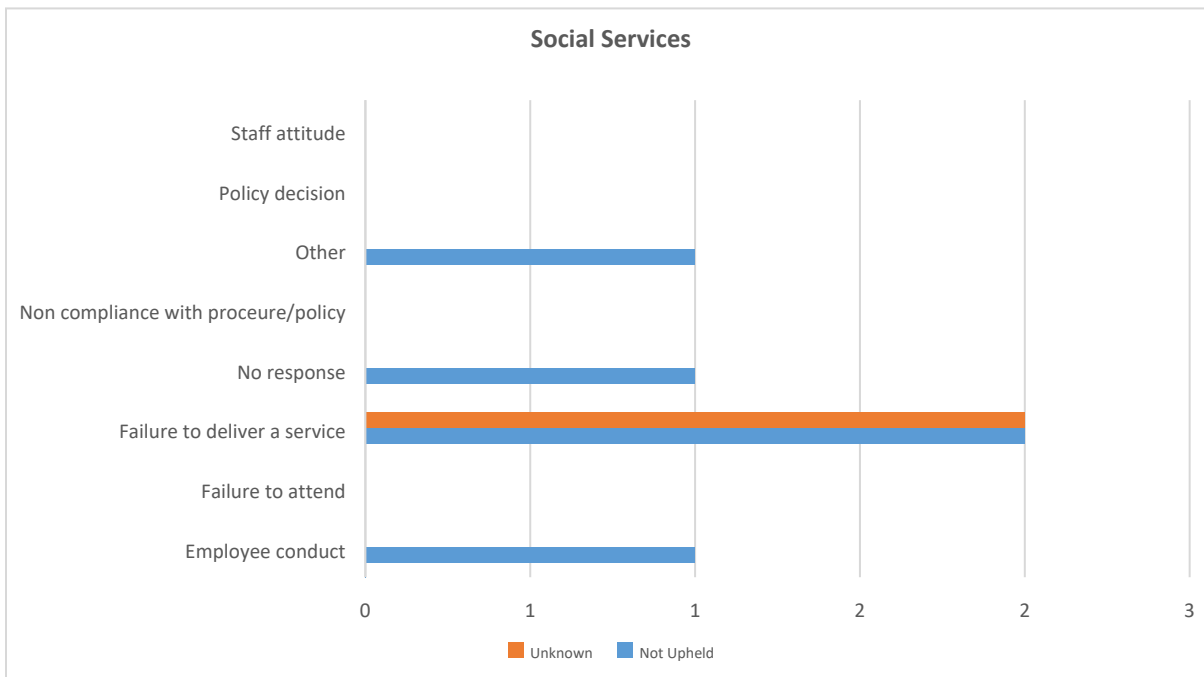
Appendix F shows the outcomes of Code of Conduct complaints closed by PSOW related to Town and Community Councils in the Local Authority's area. This table shows both the volume, and the proportion that each outcome represents for each Town or Community Council.

Mae'r dudalen hon yn wag yn bwrpasol

**Flintshire County Council Complaint Categories by Portfolio**







Mae'r dudalen hon yn wag yn bwrpasol



# Eitem ar gyfer y Rhaglen 7



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 25 <sup>th</sup> January 2023
<b>Report Subject</b>	Treasury Management Strategy 2023/24 Treasury Management Policy Statement, Practices and Schedules 2023 to 2026 Treasury Management Quarter 3 Update 2022/23
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

The report presents the draft Treasury Management Strategy 2023/24 for review and seeks the Committee's recommendation to Cabinet in conjunction with:

- Draft Treasury Management Policy Statement 2023 to 2026
- Draft Treasury Management Practices and Schedules 2023 to 2026

The report also provides an update on treasury management activity during the third quarter, 1<sup>st</sup> October to 31<sup>st</sup> December 2022.

This report is supplemented by treasury management training that was provided for Members of the Council on 7<sup>th</sup> December 2022.

### RECOMMENDATIONS

1	Members review the draft documents listed and identify any matters to be drawn to the attention of Cabinet on 23 <sup>rd</sup> February 2023. <ul style="list-style-type: none"><li>• Draft Treasury Management Strategy 2023/24</li><li>• Draft Treasury Management Policy Statement 2023 to 2026</li><li>• Draft Treasury Management Practices and Schedules 2023 to 2026</li></ul>
2	Members review the treasury management 2022/23 quarterly update.

## REPORT DETAILS

1.00	<b>EXPLAINING THE CHANGES TO THE POLICY STATEMENT, STRATEGY AND PRACTICES</b>
	<b><u>BACKGROUND</u></b>
1.01	The Local Government Act 2003 requires all local authorities to have due regard to both the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (The CIPFA Code of Practice) and Welsh Government guidance on Local Authority Investments.
1.02	<p>In April 2019 the Council adopted the Chartered Institute of Public Finance and Accountancy's <i>Treasury Management in the Public Services: Code of Practice, 2017 Edition</i> (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year.</p> <p>The Institute published a revised version of the CIPFA code in December 2021. The Council is requested to formally adopt the Treasury Management in the Public Services: Code of Practice 2021 edition. The CIPFA Code of Practice (2021 edition) requires:-</p> <ul style="list-style-type: none"><li>• The Council to create and maintain a Treasury Management Policy Statement which states the Council's policies, objectives and approach to risk management of its treasury management activities.</li><li>• The Council to create and maintain suitable Treasury Management Practices (TMPs) and accompanying schedules, stating how those policies and objectives will be achieved and prescribing how those activities will be managed and controlled.</li><li>• The Council to create and maintain suitable investment management practices (IMPs) for investments that are not for treasury management purposes, within the TMP's.</li><li>• The Council to receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.</li><li>• Responsibility for treasury management to be clearly defined. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Finance Manager, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's <i>Standard of Professional Practice on Treasury Management</i>.</li><li>• A body to be responsible for the scrutiny of Treasury Management Policy, Strategy and Practices. The Council has nominated the</li></ul>

	Governance and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management function. The Governance and Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update.
1.03	The Welsh Government issues guidance on local authority investments that requires the Council to prepare an investment strategy before the start of each financial year. The guidance was updated in November 2019 and came into force from 1 <sup>st</sup> April 2020.
1.04	In preparation for approving the 2023/24 Treasury Management Strategy, training for all Members was held on 7 <sup>th</sup> December 2022. The workshop, presented by Arlingclose, the Council's treasury management advisors, covered: 1) the regulatory framework and the role of the elected Member in scrutinising the treasury management function; 2) an overview of the Council's treasury position and future; 3) a section on capital expenditure and financing, borrowing and debt restructuring; 4) a section on risk management and economic outlook, and 5) investment management.
	<b><u>CONSIDERATIONS</u></b>
	<b>2023/24 Treasury Management Policy Statement, Strategy and Practices</b>
1.05	The main changes to the Code clarifies what constitutes prudential borrowing activities to help avoid authorities misinterpreting the Code's provisions. The Code includes clarification to better define commercial activity and investment, and a requirement to incorporate an assessment of risk against levels of resources. The Council were largely compliant with the revised Code.
1.06	The previous Treasury Management Policy Statement was approved by Council in February 2022 and covered the 3-year period from 2022 to 2025. Updates to IMP's in the new Code are included in the revised Treasury Management Policy 2023 to 2026 which is attached at Appendix 2. This document defines the Council's treasury management activities, sets out the Council's criteria to measure the effectiveness of treasury management activities and includes the Council's high-level policies for borrowing and investments. Once approved, the document will only be reported to Members during its lifetime in the event of any significant changes.
1.07	The Treasury Management Practices (TMPs) and accompanying schedules to cover the 3-year period from 2022 to 2025 were approved by Council in February 2022. Updates to IMP's in the new Code are included in the revised TMPs for 2023 to 2026 which are attached as Appendices 3 and 4.  The TMPs and schedules state how treasury management policies and objectives will be achieved and give specific details of the systems and routines employed and the records to be maintained, including: <ul style="list-style-type: none"> <li>• TMP 1 Treasury risk management</li> <li>• TMP 2 Performance measurement</li> <li>• TMP 3 Decision-making and analysis</li> </ul>

	<ul style="list-style-type: none"> <li>• TMP 4 Approved instruments, methods and techniques</li> <li>• TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements</li> <li>• TMP 6 Reporting requirements and management information arrangements</li> <li>• TMP 7 Budgeting, accounting and audit arrangements</li> <li>• TMP 8 Cash and cash flow management</li> <li>• TMP 9 Money laundering</li> <li>• TMP 10 Staff training and qualifications</li> <li>• TMP 11 Use of external service providers</li> <li>• TMP 12 Corporate governance</li> </ul> <p>It was agreed that these operational documents will only be reported to Members during their lifetime in the event of any significant changes. Some changes have been made to bring the practices and schedules in line with the draft 2023/24 Strategy.</p>
	<p><b>Treasury Management Strategy 2023/24</b></p>
1.08	<p>The 2023/24 Treasury Management Strategy is attached at Appendix 1 for review and discussion. The Strategy is updated and reported annually to Members in accordance with the CIPFA Code of Practice and Welsh Government guidance.</p> <p>The Treasury Management Strategy details the approach the Council will take for investing and borrowing over the next year, including the budgetary implications of the planned investment and borrowing strategy, and a number of treasury management indicators that the CIPFA Code requires.</p>
1.09	<p>The main body of the 2023/24 Strategy has not changed significantly from that of the 2022/23 Strategy. Matters that merit the attention of Members are summarised below:</p> <ul style="list-style-type: none"> <li>• Section 2 – Economic context, provided by Arlingclose, highlights that the major external influences on the Strategy will be the ongoing war in Ukraine, together with higher inflation, higher interest rates, and a deteriorating economic outlook. The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target. Gilt yields are expected to remain broadly at current levels over the medium-term, with 5, 10 and 20 year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025 (the Council’s borrowing costs are linked to gilt yields).</li> <li>• Section 4 – Local context. This section summarises the Council’s anticipated treasury position in 2023/24. Activity in 2023/24 is expected to focus more on borrowing and less on investing as the Council’s requirement to borrow is forecast to grow due to a planned increase in capital expenditure.</li> </ul>

	<ul style="list-style-type: none"> <li>Section 5 - Borrowing strategy. This section is largely a continuation of the 2022/23 strategy. The Council continues to forecast a significant long term borrowing requirement. The required amounts need to be confirmed before a commitment to long term borrowing is made and the use of short term borrowing will be used to assist during this period.</li> <li>Section 6 – Treasury Investment Strategy. Again, this section is largely a continuation of the Council’s 2022/23 strategy, the aim being to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.</li> </ul>
	<b>Treasury Management 2022/23 - Quarter 3 Update</b>
1.10	<p><u>Investments update</u></p> <p>A schedule setting out the Council’s investments at 31<sup>st</sup> December 2022 is attached at Appendix 5. The investment balance at this time was £28.4m across 9 counterparties with an average interest rate of 3.22%.</p>
1.11	<p><u>Borrowing update</u></p> <p>Appendix 6 shows the Council’s long-term borrowing portfolio as at 31<sup>st</sup> December 2022, a total of £291.7m with a weighted average interest rate of 4.54%. No long term borrowing was arranged during the quarter.</p> <p>Appendix 7 shows the Council’s short-term borrowing portfolio as at 31<sup>st</sup> December 2022. There were no loans outstanding during this period.</p> <p>The borrowing strategy in 2022/23 has been to monitor capital expenditure to confirm the Council’s long term borrowing need, ensuring that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. Short term borrowing will continue to be used to assist with managing the Council’s borrowing requirement and is balanced against not compromising the long term stability of the debt portfolio.</p> <p>The Council has a long-term borrowing requirement and therefore long term borrowing may possibly be undertaken before the end of this financial year. This position will be reviewed and monitored closely during the last few months of 2022/23, with support and advice from Arlingclose.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are set out within this report and supporting appendices; there are no other resource implications directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Arlingclose Ltd, being the Council’s treasury management advisors.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Risk Management directly addressed within the appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ol style="list-style-type: none"> <li>1. Draft Treasury Management Strategy 2023/24</li> <li>2. Draft Treasury Management Policy Statement 2023-26</li> <li>3. Draft Treasury Management Practices and Schedules 2023 to 2026 – part 1</li> <li>4. Draft Treasury Management Practices and Schedules 2023 to 2026 – part 2</li> <li>5. Investment Portfolio as at 31<sup>st</sup> December 2022</li> <li>6. Long-term Borrowing Portfolio as at 31<sup>st</sup> December 2022</li> <li>7. Short-term Borrowing Portfolio as at 31<sup>st</sup> December 2022</li> </ol>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<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>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.</p> <p><b>Balances and Reserves:</b> Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p><b>Bank Rate:</b> The official interest rate set by the Bank of England’s Monetary Policy Committee and what is generally termed at the “base rate”.</p> <p><b>Basis Point:</b> 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.</p> <p><b>Bond:</b> 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.</p>

**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 (CDs):** 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.

**MiFID II (Markets in Financial Instruments Directive):** EU legislation that regulates firms who provide services to clients linked to 'financial instruments'. As a result of MiFID II, from 3<sup>rd</sup> January 2018 local authorities will be treated as retail clients but can "opt up" to professional client status, providing that they meet certain qualitative and quantitative criteria.

**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):** A committee of the Bank of England, which meets to decide the Bank Rate. Its primary target is to keep CPI 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):** QE is a form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This cash injection lowers the cost of borrowing and boosts asset prices to support spending.

**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.



**FLINTSHIRE COUNTY COUNCIL**

**DRAFT**

**TREASURY MANAGEMENT  
STRATEGY**

**2023/24**

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# Treasury Management Strategy Report 2023/24

The Council is recommended to:

- Adopt CIPFA's Treasury Management in the Public Services: Code of Practice 2021 edition (the CIPFA Code)
- approve the Treasury Management Strategy for 2023/24
- approve the Treasury Management Indicators for 2023/24

## **1.0 Introduction**

In April 2019 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice, 2017 Edition* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year.

The Institute published a revised version of the CIPFA code in December 2021. The Council is requested to formally adopt the Treasury Management in the Public Services: Code of Practice 2021 edition.

In addition, the Welsh Government (WG) issues guidance on local authority investments that requires the Council to approve an investment strategy before the start of each financial year. WG updated this guidance in November 2019.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and WG Guidance.

The successful identification, monitoring and control of risk are central to the Council's Treasury Management Strategy as the Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks, including the loss of invested funds and the revenue impact of changing interest rates.

In accordance with WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

## **2.0 Economic Context (including interest rate forecast) – as provided by Arlingclose Ltd, December 2022**

**Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate

tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

**Credit outlook:** Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

**Interest rate forecast:** The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

Yields are expected to remain broadly at current levels over the medium-term, with 5, 10 and 20 year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

**Table 1: Interest rate forecast**

	Bank Rate	3-month Money Market Rate	5-year Gilt Yield	20-year Gilt Yield	50-year Gilt Yield
Q1 2023	3.50	3.00	3.43	3.86	3.46
Q2 2023	4.00	4.40	3.60	3.85	3.60
Q3 2023	4.25	4.40	3.80	3.85	3.60
Q4 2023	4.25	4.40	3.80	3.85	3.60
Q1 2024	4.25	4.35	3.80	3.85	3.60
Q2 2024	4.25	4.30	3.70	3.85	3.60
Q3 2024	4.00	4.25	3.60	3.85	3.60
Q4 2024	3.75	4.00	3.50	3.85	3.60
Q1 2025	3.50	3.75	3.40	3.85	3.60
Q2 2025	3.25	3.50	3.30	3.85	3.60
Q3 2025	3.28	3.40	3.30	3.85	3.60

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 3.9%, and that new long-term loans will be borrowed at an average rate of 4.6%.

### **3.0 Current Treasury Portfolio**

The Council's treasury portfolio as at 31<sup>st</sup> December 2022 was as follows:

**Table 2: Current Treasury Portfolio**

	Principal £m	Interest rate %
<b>Investments:</b>		
Call accounts	1.0	0.80
Money market funds	17.4	3.28
Short-term deposits	10.0	3.34
Long-term deposits	0.0	n/a
<b>Total Investments</b>	<b>28.4</b>	
<b>Borrowing:</b>		
Short-term loans	0.0	n/a
Long-term PWLB loans (fixed)	268.4	4.60
Long-term market loans (LOBOs)	18.9	4.53
Other Government loans	4.4	0.00
<b>Total Borrowing</b>	<b>291.7</b>	
<b>Net Borrowing</b>	<b>263.3</b>	



#### **4.0 Local Context**

Forecast changes in the sums in section 3 are shown in the balance sheet analysis in the table below.

**Table 3: Balance Sheet Summary and Forecast**

	<b>31.3.22 Actual £m</b>	<b>31.3.23 Estimate £m</b>	<b>31.3.24 Estimate £m</b>	<b>31.3.25 Estimate £m</b>	<b>31.3.26 Estimate £m</b>
Council Fund Capital Financing Requirement (Borrowing only)	217	220	240	262	274
Housing Revenue Account Capital Financing Requirement (Borrowing only)	132	134	143	154	161
<b>Capital Financing Requirement (Borrowing only)</b>	<b>349</b>	<b>354</b>	<b>383</b>	<b>416</b>	<b>435</b>
Less: Current ST borrowing	(10)	(290)	(285)	(278)	(273)
Less: Current LT borrowing	(294)				
<b>Funding Required</b>	<b>45</b>	<b>64</b>	<b>98</b>	<b>138</b>	<b>162</b>
Less: Usable reserves	(109)	(78)	(59)	(52)	(49)
Adj: Working capital	14	10	10	10	10
<b>Investments / (New borrowing)</b>	<b>50</b>	<b>4</b>	<b>(49)</b>	<b>(96)</b>	<b>(123)</b>

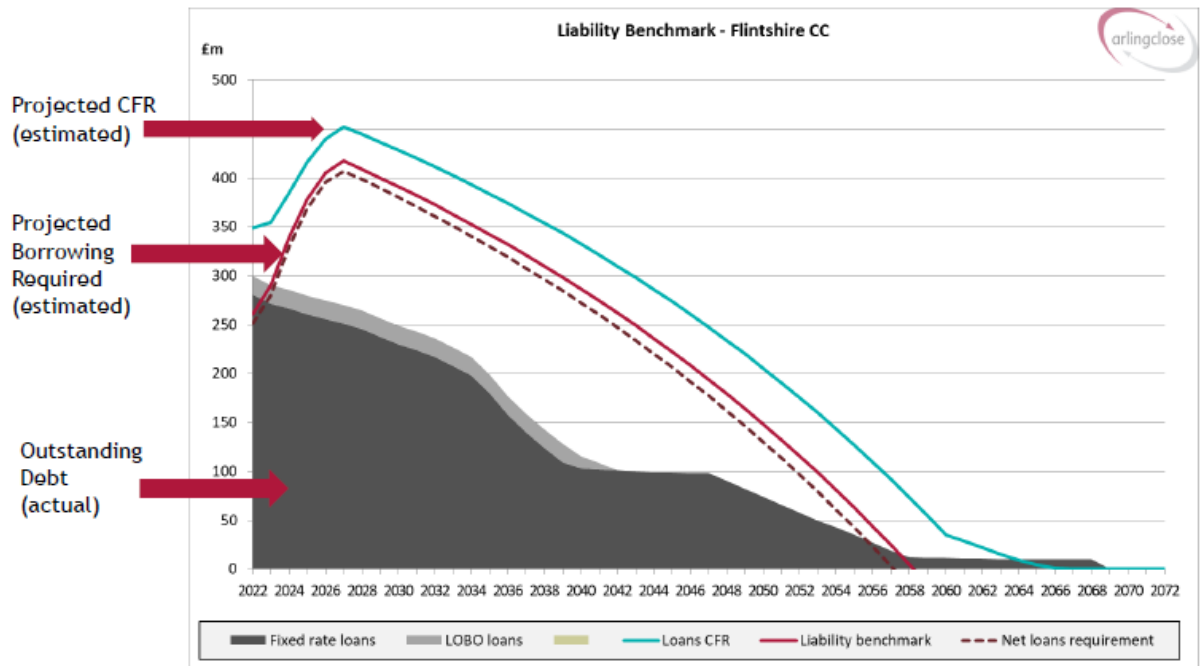
The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

Table 3 shows the Council's CFR increases during 2023/23, this is linked with the capital programme (examples of schemes funded by borrowing include the Sustainable Communities for Learning schools programme, redevelopment of Theatr Clwyd and the HRA capital programme, which includes building new social housing). The level of reserves the Council has is expected to fall in 2022/23 as funding earmarked for specific purposes falls due for payment. The combination of the increase in capital expenditure and a reduction in reserves, results in a sustained requirement for new borrowing over the medium term.

**Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 3 above, but that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

**Table 4: Liability Benchmark - Flintshire County Council (December 2022)**



The graph in Table 4 shows the Council’s anticipated liability benchmark over the next 50 years, being the net requirement for borrowing after considering resources available from reserves and working capital. The rise in the liability benchmark corresponds with the need to borrow to fund the increase in capital expenditure described above. The strategy in 2023/24, the same as in previous years, is to ensure that any new borrowing undertaken does not exceed the liability benchmark and cause the council to borrow more than it needs.

Budget implications

The budget for investment income in 2023/24 is £1.2m, based on an average investment portfolio of £30.4m at an average interest rate of 3.9%. The budget for interest on long-term loans in 2023/24 is £14.4m, based on long-term loans of £331m at an average interest rate of 4.55%. The budget for interest on short-term loans is £1.8m based on an average of the costs for the last 3 years. Interest paid will be apportioned between the Council Fund and the HRA. If levels of investments, borrowing and interest rates differ from those forecast, performance against budget will be correspondingly different.

## **5.0 Borrowing Strategy**

As at 31<sup>st</sup> December 2022, the Council held £291.7m of long-term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in section 4 shows that the Council expects to need to undertake new borrowing during 2023/24.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which the funds are required. The flexibility to renegotiate loans, should the Council's long-term plans change, is a secondary objective.

The Council's capital expenditure plans will continue to be monitored throughout 2023/24 to inform and confirm the Council's long-term borrowing need (figures in section 4 are an estimate). This is to ensure that the Council does not commit to long-term borrowing too early and borrow unnecessarily which will be costly. The use of short-term borrowing will assist with such. This will be balanced against securing low long term interest rates currently being forecast.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources and to borrow short-term instead.

By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk, credit risk as a result of bail-in legislation in particular. The benefit of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when the long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow for short periods of time to cover unexpected cash flow shortages.

### Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Clwyd Pension Fund)
- insurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- WG Mutual Investment Model

### Municipal Bonds Agency:

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council

### LOBOs

The Council holds £18.95m of LOBO (Lender's Option Borrower's Option) 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 have options during 2023/24, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years.

## Short-term and Variable Rate loans

As at 31<sup>st</sup> December 2022, the Council held no short term (temporary) loans.

Any short-term loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in section 7. Financial derivatives may be used to manage this interest rate risk (see section below).

## Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

## Planned borrowing strategy for 2023/24

The Corporate Finance Manager will:

- Manage the Council's debt maturity profile, i.e., to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated in this Strategy Statement. Appendix A analyses the debt portfolio of the Council as at 31<sup>st</sup> December 2022.
- Effect any borrowing that may be required in 2023/24 at the cheapest cost commensurate with future risk based on interest rate forecasts.
- Monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in this Strategy.
- Continue to monitor options for debt-restructuring and debt re-payment.

The Corporate Finance Manager will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances, reporting any decisions and actions taken under delegated powers to Cabinet via the Governance and Audit Committee.

## **6.0 Treasury Investment Strategy**

The Council holds surplus funds, representing income received in advance of expenditure, plus balances and reserves held. In the past 12 months, the Council's treasury average investment balance was £50.2m with similar or slightly lower levels expected to be maintained in the forthcoming year.

Non-treasury investments, including loans to subsidiaries and purchases of investment property, are not normally considered to be treasury investments, and these are therefore covered separately in Appendix B.

Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

### Strategy

As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

### ESG policy:

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

### Investment criteria and limits

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the monetary and time limits shown.

**Table 5: Treasury investment counterparties and limits**

This table must be read in conjunction with the notes below

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£4m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	Unlimited
Registered providers (unsecured) *	5 years	£2m	Unlimited
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£1m	£5m
Real estate investment trusts	n/a	£1m	£1m
Other investments *	5 years	£2m	£10m

**\* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors, including external advice, will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £100k per counterparty as part of a diversified pool.

**Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher

of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Welsh Government. As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

**Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

**Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept as low as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than



made insolvent, increasing the chance of the Council maintaining operational continuity.

### Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "negative watch") so that it is likely to fall below the above criteria, then no further investments will be made in that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of "high credit quality" are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

## Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of 'high credit quality'.

The Council defines 'high credit quality' organisations as those having a credit rating of A- or higher that are, domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as those having a credit rating of A- or higher.

## Non-Specified Investments

Any financial investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in the table below. The Council confirms that its current non-specified investments remain within these limits.

**Table 6: Non-Specified Investment Limits**

	Cash Limit
Total invested in pooled funds without credit rating	£5m
Shares in real estate investment trusts	£1m
Shares in local organisations	£1m
<b>Total non-specified investments</b>	<b>£7m</b>

## Foreign countries

Investments in foreign countries will be limited to a maximum of £5 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

## Liquidity 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, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term

investments are set by reference to the Council's medium term financial plan and cash flow forecast.

### Business models

Under the new International Financial Reporting Standard (IFRS) 9, the accounting for certain investments depends on the Council's 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

## **7.0 Treasury Management Prudential Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators. The Council is asked to approve the following indicators:

### Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Upper limit on one-year revenue impact of a 1% rise in interest rates	0.114	0.166	0.213
Upper limit on one-year revenue impact of a 1% fall in interest rates	0.032	0.024	(0.023)

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

### Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	20%
12 months and within 24 months	0%	20%
24 months and within five years	0%	30%
Five years and within 10 years	0%	50%
10 years and above	0%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term treasury management investments:

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26
Limit on total principal invested beyond year end	£5m	£5m	£5m

Any long-term investments carried forward from previous years will be included in each year's limit.

Borrowing limits

The Council is being asked to approve these Prudential Indicators as part of the Capital Strategy report. However, they are repeated here for completeness.

	2023/24	2024/25	2025/26
Operational boundary – borrowing	£383m	£419m	£439m
Operational boundary – other long-term liabilities	<u>£20m</u>	<u>£20m</u>	<u>£20m</u>
Operational boundary – TOTAL	£403m	£439m	£459m
Authorised limit – borrowing	£403m	£439m	£459m
Authorised limit – other long-term liabilities	<u>£35m</u>	<u>£35m</u>	<u>£35m</u>
Authorised limit – TOTAL	£438m	£474m	£494m

**8.0 Other Matters**

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial derivatives:

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded

derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### Policy on Apportioning Interest to HRA

The Council has adopted a single pool of loans which funds the capital expenditure of both Council Fund and HRA activities. The interest payable and other costs/income arising from long term loans (e.g., premiums and discounts on early redemption) is apportioned between the revenue accounts using the average Capital Financing Requirement (which measures the underlying need to borrow to fund capital expenditure) during the year.

Given that the HRA has minimal level of reserves compared to the total level of reserves held by the Council, any interest received on investments will be credited to the Council Fund revenue account.

### Markets in Financial Instruments Directive

The Council has opted up to professional client with its providers of financial services, including advisers, banks, and brokers, allowing it access to a range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Finance Manager believes this to be the most appropriate status.

### Welsh Government Guidance

The WG Investment Guidance requires the Council to note the following matters each year as part of the investment strategy:

Treasury Management Advisers: The Council's treasury management adviser, Arlingclose continues to provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,

- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is controlled by Financial Procedure Rules and Contract Procedure Rules.

### Capacity and skills training

The needs of the Council's treasury management team for training in treasury management are assessed as part of the employee appraisal process, and additionally when the responsibilities of individual members of the treasury team change.

Employees regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant employees are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Training for elected Members is provided by Arlingclose on an annual basis and by the treasury management team on an ongoing basis.

Training ensures that those elected members and statutory officers involved in the investments decision-making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. assess individual investments in the context of the strategic objectives and risk profile of the Council; and 3. understand how the quantum of these decisions have changed the overall risk exposure of the Council.

The Council is reviewing steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

### Investment of Money Borrowed in Advance of Need

Welsh Government guidance states that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

The Council will not borrow more than or in advance of their needs to profit from the investment but may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money for example in a climate of rising interest rates. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £438 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

### Climate change

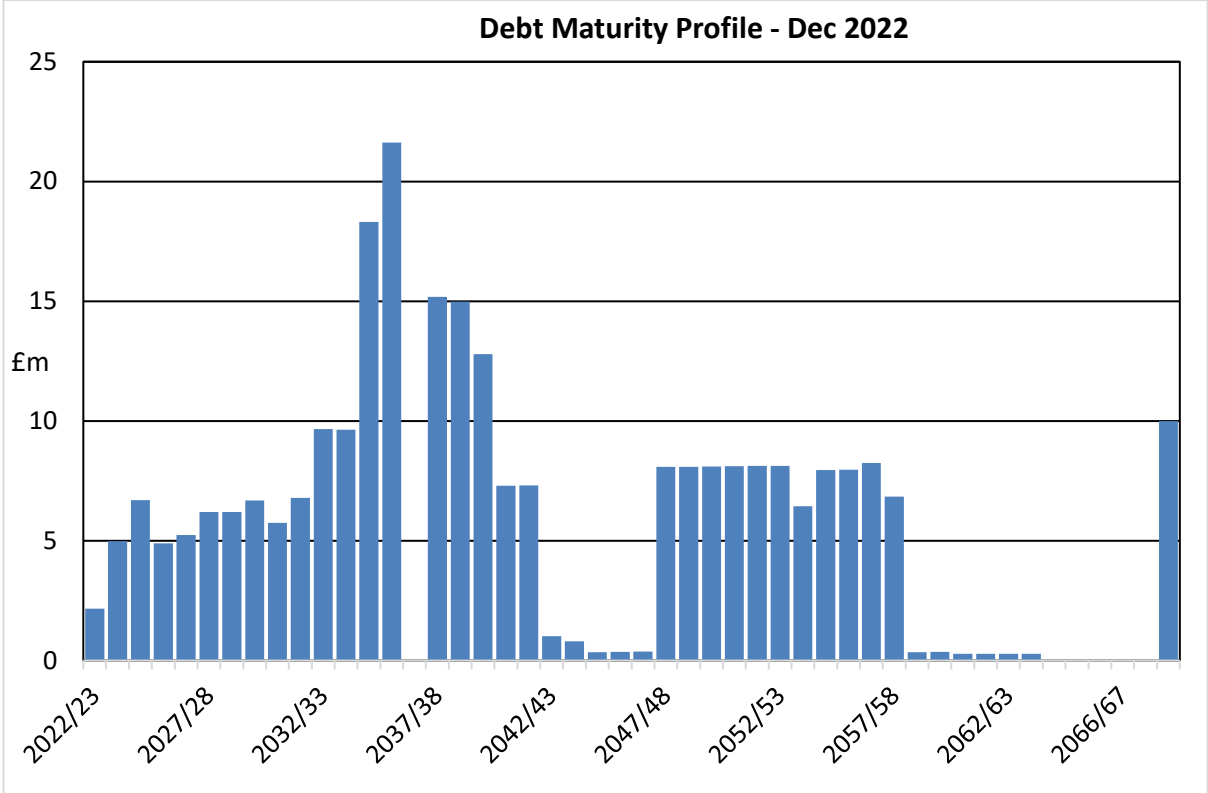
WG has set out its legal commitment to achieve net zero emissions by 2050 and work towards a net zero public sector in Wales by 2030. One of the Council's key priorities within the Council Plan is to become a net zero carbon Council by 2030. The Council has developed a Climate Change Strategy and action plan which sets the initial route map to support this wider decarbonisation actions across the County. The Council will continue to reviewing with Arlingclose what options are available for investments that support a low carbon economy.

### **Other Options Considered**

The WG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Finance Manager believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter periods.	Interest income will be lower	Reduced risk of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer periods.	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

**APPENDIX A – DEBT MATURITY PROFILE**





## **APPENDIX B: Additional requirements of Welsh Government Investment Guidance – Non-Treasury Investments**

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities and covers investments that are not part of treasury management. In this appendix the Council sets out the information required to comply with the WG guidance for non-treasury investments.

The Council has given loans to wholly owned companies for service purposes and has historical non-financial investments in property defined as Investment Properties within the Council's Statement of Accounts. The Council considers both to be non-treasury investments.

### **Loans to Wholly Owned Subsidiaries**

The WG guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority.

#### Contribution

The Council's investments in the form of loans to wholly owned companies contribute to its service delivery objectives and/or to promote wellbeing as follows:

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

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes Limited (NEW Homes) in partnership with the Council. Affordable homes for rent are built or purchased by NEW Homes funded by loans from the Council. New affordable homes for rent have been built in Flint, Penyffordd (Holywell), Dobshell, Bryn-y-Baal, Northop and Saltney.

#### Controls and Limits

The Council considers that its financial exposure to loans to wholly owned companies is proportionate and has set the limits in table B1. The Council's loan book is currently within these self-assessed limits.

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.

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
- the annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

**Table B1: Loan limits**

<b>Borrower</b>	<b>Cash Limit</b>
Wholly owned companies	£40m
Treasury management investments meeting the definition of a loan	Unlimited

The Council, as required, has considered allowing for an ‘expected credit loss’ model for loans and receivables as set out in IFRS 9: *Financial Instruments*, as adopted by proper practices, to measure the credit risk of its loan portfolio. When calculated, the expected credit loss was very small. Given the high level of control the Council has over NEW Homes and the security arrangements, the Council decided against setting up a provision for expected credit loss from the loans to NEW Homes.

Appropriate consideration is given to state aid rules and competition law. The Council sought specific legal and finance advice to ensure existing and future loans are compliant with State Aid regulations. The rates applied are below what NEW Homes would receive on the open market, and therefore are granted to NEW Homes under the Services of General Economic Interest Decision (a State Aid exemption). Arrangements are in place to monitor and ensure that the amount of aid granted through the loan does not exceed the net cost of providing the Service of General Economic Interest. A deed of entrustment is in place to clearly set out the requirements of both parties.

### Liquidity

The Council has borrowed from the PWLB to on-lend at a small margin to NEW Homes on the same terms and conditions, therefore the impact on the Council’s Treasury Management activities is limited.

The length of the loans has been determined by assessing the cash flow of each housing development scheme to ensure over the long-term affordable rents are sufficient to repay borrowing, interest, management costs, cyclical maintenance costs and reasonable allowances for voids and bad debts. Most schemes require an annuity loan commitment of 45 years, the maximum the Council would commit to is 50 years.

Agreements are in place ensuring that the Council has security on all NEW Homes properties which includes properties built using the loan funding and also other properties that NEW Homes owns outright (acquired from developers as part of Section 106 Planning Act agreements to provide affordable housing). In the event of a default, the Council could either sell the properties to repay its borrowing or include them within the Housing Revenue Account and continue to rent at social housing rent levels.

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council accepts that the invested funds have been invested in NEW Homes for the length of the loans – approx. 45 years – and cannot readily be accessed for other purposes.

Yield (net profit)

The loans generate a small income for the Council as there is a margin of approx. 0.25% charged to NEW Homes on the Council’s borrowing rate from the PWLB. The income makes a very small contribution to achieving a balanced revenue budget. The yield as a proportion of net revenue budget is less than 0.015%.

**Investment Properties**

The Welsh Government guidance includes an investment category covering non-financial assets held primarily or partially to generate a profit, primarily investment property. Proper accounting practice defines an investment property as those that are held solely to earn rent and / or for capital appreciation.

The Council has a portfolio of investment properties, in the form of agricultural property and industrial units. Although these are classified as investment properties, they are legacy assets, and the council is managing down its agricultural portfolio and is reviewing its position in regard to industrial units.

Contribution

The Council’s investments, in the form of investment properties, contribute to its service delivery objectives and/or to promote wellbeing by providing a net financial surplus that is reinvested into local public services.

Security

The Welsh Government guidance requires that security is determined by comparing each asset’s purchase price to its fair value using the model in International Accounting Standard 40: *Investment Property*, as adapted by proper practices.

As the Council’s investment portfolio is of a historic nature, built up over many years, property purchase prices are not readily available to compare with current fair values. The table below shows the fair values of the current portfolio over the last 5 years demonstrating that the historic capital invested has remained stable over the past 5 years.

**Table B2: Fair Value of Investment Properties**

	31.3.2022 £m	31.3.2021 £m	31.3.2020 £m	31.3.2019 £m	31.3.2018 £m
Fair Value Inv. Properties	27.6	25.2	25.0	25.2	25.2

## Liquidity

The Council's investment properties are historical investment decisions and therefore will have limited impact on the Council's liquidity. No recent investment has taken place in investment properties, and therefore there is no recent borrowing associated.

## Yield (net profit)

The profit generated by investment activity makes a small contribution to achieving a balanced revenue budget. Table B3 below details the extent to which funding expenditure to meet the service delivery objectives and or promote wellbeing in the Council is dependent on achieving the expected yield over the life cycle of the Medium-Term Financial Plan.

**Table B3: Proportionality of Investment Properties**

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Budget £m
Net Revenue Budget	297.457	326.682	346.251
Net Investment income	1.63	1.69	1.69
Proportion	0.55%	0.52%	0.49%



**FLINTSHIRE COUNTY COUNCIL**

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**TREASURY MANAGEMENT  
POLICY STATEMENT**

**2023 – 2026**

## **1.0 TREASURY MANAGEMENT POLICY STATEMENT**

The Council defines the policies and objectives of its treasury management activities as follows: -

- 1.1 "The management of the Council's investments and 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".
- 1.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
- 1.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 1.4 The Council greatly values revenue budget stability and will therefore borrow the majority of its long-term funding needs at long-term fixed rates of interest. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce revenue savings.
- 1.5 The Council will set an affordable borrowing limit each year in compliance with the *Local Government Act 2003* and will have regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities* when setting that limit. It will also set limits on its exposure to changes to interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.
- 1.6 The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.
- 1.7 The Council will have regard to Welsh Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations in which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.
- 1.8 The Council has adopted the 2021 edition of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in Public Services: Code of Practice* and its required clauses in section 2 below.

## **2.0 CLAUSES FORMALLY ADOPTED**

CIPFA recommends that all public service organisations adopt, as part of their formal policy documents the following four clauses.

- 2.01 The Council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- 2.02 The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.
- 2.03 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement, TMPs and IMPs, CIPFA's Standard of Professional Practice on Treasury Management.
- 2.04 The Council nominates the Governance and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

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# **TREASURY MANAGEMENT PRACTICES**

## **Part 1: Main Principles**

**2023 - 2026**

**Flintshire County Council**

## Treasury Management Practices 2023 – 2026

### TREASURY MANAGEMENT PRACTICES

Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury and non-treasury management policies and objectives and how it will manage and control those activities.

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## **Treasury Management Practices 2023 – 2026**

### **TMP1 TREASURY RISK MANAGEMENT**

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investments.

The Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

#### **[1] Credit and counterparty risk management**

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in the schedule to this document.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

The Council's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

#### **[2] Liquidity risk management**

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

#### **[3] Interest rate risk management**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with

## **Treasury Management Practices 2023 – 2026**

TMP6 Reporting requirement and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy.

### **[4] Exchange rate risk management**

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

### **[5] Inflation risk management**

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole Council's inflation exposures.

### **[6] Refinancing risk management**

The Council will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

### **[7] Legal and regulatory risk management**

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1.1 credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on it.

## Treasury Management Practices 2023 – 2026

### **[8] Operational risk, including fraud, error and corruption**

The Council will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

### **[9] Price risk management**

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

### **[10] Non-treasury investments**

Commercial Investments - Changes in tenant demand may impact the income levels. This will be identified through monthly budget monitoring.

Service Investments - The Council, as required, has considered allowing for an 'expected credit loss' model for loans and receivables as set out in IFRS 9: *Financial Instruments*.

## **TMP2 PERFORMANCE MEASUREMENT**

The Council is committed to the pursuit of value for money in its treasury and non-treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury and non-treasury management functions will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury and non-treasury management function will be measured using the criteria set out in the schedule to this document. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

## **TMP3 DECISION-MAKING AND ANALYSIS**

The Council will maintain full records of its treasury and non-treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, e.g., demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

## **Treasury Management Practices 2023 – 2026**

### **TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1, Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice (to include that of its Treasury Management advisors) and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MIFID II and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

### **TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council is required, as a result of lack of resources or other circumstances, to depart from these principles, the Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The Chief Finance Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Chief Finance Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the Chief Finance Officer in respect of treasury management are

## **Treasury Management Practices 2023 – 2026**

set out in the schedule to this document. The Chief Finance Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

Non-treasury investments - 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. Arrangements for each investment as TMP3 above.

### **TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The County Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

In addition to the above, the Governance and Audit Committee will receive regular monitoring reports on treasury management activities and risks. Governance and Audit Committee will also have responsibility for the scrutiny of treasury management policies and practices.

Treasury management indicators will be reported in the strategy report. The present arrangements and the form of these reports are detailed in the schedule to this document.

Non-treasury investments - Reported on a regular basis through the appropriate Committees cycles.

### **TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

The Chief Finance Officer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at

## **Treasury Management Practices 2023 – 2026**

minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques. The Chief Finance Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

### **TMP8 CASH AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Finance Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [2] liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

### **TMP9 MONEY LAUNDERING**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements are detailed in the schedule to this document.

### **TMP10 TRAINING AND QUALIFICATIONS**

The Council recognises the importance of ensuring that all staff involved in the treasury and non-treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Chief Finance Officer will recommend and implement the necessary arrangements.

The Chief Finance Officer will ensure that committee/council members tasked with treasury and non-treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.



### **TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

The Council recognises that responsibility for treasury management decisions remains with it at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Chief Finance Officer, and details of the current arrangements are set out in the schedule to this document.

### **TMP12 CORPORATE GOVERNANCE**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

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# **TREASURY MANAGEMENT PRACTICES**

## **Part 2: Schedules**

**2023 - 2026**

**Flintshire County Council**

## Treasury Management Practice Schedules 2023 - 2026

### TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council

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### TREASURY MANAGEMENT DEFINITIONS

Treasury Management is defined by CIPFA as

‘The management of the Council’s borrowing, investments and cash flows, including 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.’

‘Investments’ covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily or partially to generate a profit, including but not limited to commercial property. Investments will be categorised in accordance with the primary purpose of the investment.

- Treasury management investments are those investments that arise from the Council’s cash flows or treasury risk management activity and ultimately represent balances that need to be invested until the cash is required for use in the course of business.
- Service investments are those held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. They may or may not involve financial returns.
- Commercial investments are those held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

Service and commercial investments assets are not managed as part of the Council’s normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; separate Investment Management Practices (IMPs) are therefore included in this document, specific to these investments.

### TMP1 RISK MANAGEMENT

#### 1 Credit & Counterparty Policies

1. Criteria to be used for creating/managing approved counterparty lists/limits -
  - The Chief Finance Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
  - Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties. The complete list is available in the Technical Accountancy Section. It should be noted that not all of these

## Treasury Management Practice Schedules 2023 - 2026

counterparties will be used. This depends on whether they are in the market at the time of investment and whether they are offering competitive rates.

- The Council will use credit criteria in order to select creditworthy counterparties for placing investments.
- Credit ratings will be used as supplied from a selection of credit rating agencies.
- The minimum level of credit rating for an approved counterparty will be as follows: -

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£4m	Unlimited
Secured investments *	25 years	£3m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	Unlimited
Registered providers (unsecured) *	5 years	£2m	Unlimited
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£1m	£5m
Real estate investment trusts	n/a	£1m	£1m
Other investments *	5 years	£2m	£10m

A definition of the ratings can be found in Appendix A.

**\* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £100k per counterparty as part of a diversified pool.

**Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the

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UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price

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reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

**Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept as low as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

### Specified investments

The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines 'high credit quality' organisations as those having a credit rating of A- or higher that are, domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

### Non-Specified Investments

Any financial investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments in foreign currencies. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in the table below. The Council confirms that its current non-specified investments remain within these limits.



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	Cash Limit
Total invested in pooled funds without credit rating	£5m
Shares in real estate investment trusts	£1m
Shares in local organisations	£1m
<b>Total non-specified investments</b>	<b>£7m</b>

### Foreign countries

Investments in foreign countries will be limited to a maximum of £5 million per foreign country. Investments in countries whose lowest sovereign rating is not AAA will be limited to one year's duration. No country limit will apply to investments in the UK, irrespective of the sovereign credit rating.

#### 2. Approved methodology for changing limits and adding/removing counterparties

Credit ratings for individual counterparties can change at any time. The Chief Finance Officer is responsible for applying the stated credit rating criteria in 1.1 for selecting approved counterparties and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g., on mergers or take-overs. The Chief Finance Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g., on mergers or take-overs in accordance with the criteria in 1.1.

#### 3. Details of Credit Rating Agencies' services or other services which provide current credit ratings and updates on changes.

- Ratings from Fitch, Moody's or Standard & Poor's are updated monthly by the Council's treasury management adviser; however, they will provide immediate notification of any changes which affect Flintshire County Council counterparties. If a counterparty no longer meets the investment criteria, no further investments will be made with that counterparty and consideration will be given to recalling the monies. If a counterparty is being reviewed for a possible downgrade outside the criteria no more investments will be made.
- The Council's treasury management adviser will also inform the Chief Finance Officer of any other market information that they have (e.g., Credit Default Swap prices, news reports and opinion, balance sheet analysis in the absence of credit ratings) which may require credit ratings to be overridden and no further investment to be made with that counterparty.

#### 4. Environmental, Social & Governance (ESG) Policy

The Council is committed to invest responsibly. As such when investing, we will consider environmental, social and governance factors alongside the financial factors. Where possible ESG investments will be maximised. However,

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security, liquidity and yield will still be prioritised and investments must still be diversified.

### 1.2 Liquidity

#### 1. Amounts of approved minimum cash balances and short-term investments

- The Council manages its cash balances on a daily basis, dependent upon cash flow demands. The objective is to achieve a zero cash balance each day unless it is uneconomic to do so (e.g., it may cost more to send an investment to a counterparty and recall the next day than to keep the funds in the account overnight to cover the following days payments). Otherwise, a zero balance will be achieved as far as possible by means of temporary investments, borrowing or use of call accounts. Temporary investments are cash flow driven with the objective of ensuring that future temporary borrowing is minimised.

#### 2. Details of:

- Standby facilities - short-term borrowing undertaken.
- Short-term borrowing facilities - short term borrowing will be arranged for any overdrawn balance through the money market if no call money is available.
- Insurance/guarantee facilities - not required.
- Other contingency arrangements - negotiations with the Council's bankers.
- Call accounts and money market funds (subject to ratings and sector limits).

### 1.3 Interest Rate

#### 1. Details of approved interest rate exposure limits

A fall in interest rates is beneficial for variable rate debt and short-term borrowing which needs to be refinanced, but not for variable rate investments. Conversely, a rise in interest rates is beneficial for short-term investments which can be reinvested at higher rates but will be a cost for variable rate borrowing or short-term borrowing which needs to be refinanced.

The Council sets an Interest Rate Risk indicator as part of its Treasury Management Strategy to control exposure to interest rate risk. This is set as-

Interest rate risk indicator	2023/24 £m	2024/25 £m	2025/26 £m
Upper limit on one-year revenue impact of a 1% rise in interest rates	0.114	0.166	0.213
Upper limit on one-year revenue impact of a 1% fall in interest rates	0.032	0.024	(0.023)

#### 2. Trigger points and other guidelines for managing changes to interest rate levels

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- This is monitored in conjunction with the Council's treasury advisers through the London money market on a daily basis.
- The management of a balanced investment portfolio which retains a mix of long-term investments (fixed rate) and shorter term (variable rate) investments which are variable to protect against interest risk.

### 1.4 Exchange Rate

Approved criteria for managing changes in exchange rate levels -

- The Council does not make payments or receive foreign currency in sufficient levels that warrant currency management e.g., hedging

### 1.5 Inflation

Guidelines for managing changes to inflation rate levels

- This is monitored in conjunction with the Council's treasury advisers through monthly economic updates.

### 1.6 Refinancing

1. Debt/other capital financing maturity profiling, policies and practices.
  - To manage the Council's debt maturity profile i.e., to leave no one future year with a high level of repayments that could cause problems in re-borrowing.
2. Projected capital investment requirements.
  - The borrowing requirement is determined as part of the Capital Programme.
3. Policy concerning limits on revenue consequences of capital financing.
  - This is part of the ongoing budget monitoring process
4. Policy where the Council provides financial guarantees to third parties.
  - These are recorded and regularly reassessed as to the probability they will be called upon.
5. To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' [LB] which is the lowest risk level of borrowing. The LB is an important tool which takes into account maturing loans and represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

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The LB is represented as a graph in the annual treasury management strategy. It will be updated regularly through the year by the Council in conjunction with the treasury management advisors with developments and/or timing changes in the capital programme as well as changes to balance sheet resources.

Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.

6. The Council's debt portfolio includes loans borrowed on a Lender's Option Borrower's Option (LOBO) basis.

The call dates for each LOBO loan are referenced to the LOBO documentation.

Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities.

If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council will thoroughly evaluate the new terms and additionally seek advice from the Council's advisor.

It is important to remain within the timescale for the Council to exercise its option should the call be made, but not be rushed into a decision.

### 1.7 Legal & Regulatory

References to relevant statutes and regulations

- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Chief Finance Officer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach statute, external regulations or the Council's Financial Procedures.
- The Council's legal powers and regulatory requirements come from –
  - ❖ Local Government Act 2003 [http://www.opsi.gov.uk/acts/acts2003/pdf/ukpga\\_20030026\\_en.pdf](http://www.opsi.gov.uk/acts/acts2003/pdf/ukpga_20030026_en.pdf)
  - ❖ Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (and subsequent amending regulations) [http://www.opsi.gov.uk/legislation/wales/wsi2003/wsi\\_20033239\\_en.pdf](http://www.opsi.gov.uk/legislation/wales/wsi2003/wsi_20033239_en.pdf)
  - ❖ Welsh Government "Guidance on Local Government Investments" <https://gov.wales/local-government-investments-guidance>
  - ❖ CIPFA "Treasury Management in the Public Services Code of Practice"
  - ❖ CIPFA "Prudential Code for Capital Finance in Local Authorities"

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Hard copies are available in Technical Accountancy.

### 1.8 Fraud, error and corruption, and contingency management

1. Details of systems and procedures to be followed, including internet services.
  - These are documented in the Treasury Management Operational Guidelines.
2. Emergency and contingency planning arrangements
  - The Council's treasury management processes are fully digital. Principal Accountants and Strategy Finance Managers have Council issued iPads allowing treasury management to be done anywhere with internet connection.
3. Fraud, Error & Corruption.
  - There is a system of internal control in place to prevent and identify fraud and error.
  - Any issue identified will be immediately reported to the Chief Finance Officer and Head of Internal Audit and subsequently to Governance and Audit Committee and Council.

### 1.9 Market Value of Investments

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Government Issue Long Term Stock - GILTS, Certificates of Deposit - CDs, etc.)

- No limits are set, current criteria for these investments does not allow exposure to high fluctuations in value.
- 

### 1.10 Non-treasury investments

- Commercial Investments - The profit generated by investment activity makes a small contribution to achieving a balanced revenue budget. In comparison to the net revenue budget, investment income is less than 0.5% as a proportion. The Council's investment properties are historical investment decisions and therefore will have limited impact on the Council's liquidity. No recent investment has taken place in investment properties, and therefore there is no recent borrowing associated. Changes in tenant demand may impact the income levels. This will be identified through monthly budget monitoring.
- Service Investments - The Council, as required, has considered allowing for an 'expected credit loss' model for loans and receivables as set out in IFRS 9: *Financial Instruments*, as adopted by proper practices, to measure the credit risk of its loan portfolio. When calculated, the expected credit loss was very small. Given the high

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level of control the Council has over NEW Homes and the security arrangements, the Council decided against setting up a provision for expected credit loss from the loans to NEW Homes.

In the event of a default, the Council could either sell the properties to repay its borrowing or include them within the Housing Revenue Account and continue to rent at social housing rent levels.

### TMP2 PERFORMANCE MEASUREMENT

#### 2.1 Performance Measurement

1. In the annual Treasury Management Outturn Report, investment and borrowing rates are analysed against the budget and previous year's data.
2. Health checks are undertaken by the Council's treasury management advisers.

#### 2.2 Value for Money

Frequency for reviewing and tendering for the following services:

- Banking services - tendered every 5 years.
- Money-broking services - annual review.
- Treasury adviser's services – tendered every 3 years.
- External Cash Managers - none currently employed but this will be analysed as part of a continuous review.

#### 2.3 Methods to be employed for measuring the performance of the Council's Treasury Management activities

1. The Chief Finance Officer will receive a monthly update on treasury management from the Strategic Finance Manager – Capital, Technical and Financial Systems.
2. The performance of treasury management will be reported quarterly to the Governance and Audit Committee and then to Cabinet and Council in the Mid-year Report and Annual Outturn Report using the performance measures outlined in 2.1.
3. Non-treasury investments - for both commercial and service investments:
  - Regular fair value assessments
  - Performance reported through monthly budget monitoring
  - Ongoing repairs so that value and income are maintained

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### TMP3 DECISION-MAKING AND ANALYSIS

#### 3.1 Funding, borrowing, lending and new instruments/techniques:

1. Records to be kept:

- These are documented in the Treasury Management Operational Guidelines. All records are kept on-line to provide a full audit trail for all treasury decisions.

2. Processes to be pursued:

- All reports on treasury management issues are submitted to the Chief Finance Officer for decision making

3. Issues to be addressed:

- In respect of every decision made the Council will:
  - a. Above all be clear about the nature and extent of the risks to which the Council may become exposed
  - b. Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
  - c. Be content that the documentation is adequate both to deliver the Council's objectives and protect its interests, and to deliver good housekeeping
  - d. Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
  - e. Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.
- In respect of borrowing and other funding decisions, the Council will:
  - a. Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
  - b. Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
  - c. Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
  - d. Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.
- In respect of investment decisions, the Council will:
  - a. Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
  - b. Consider the alternative investment products and techniques

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available, especially the implications of using any which may expose the Council to changes in the value of its capital.

4. Considerations to be made before each temporary borrowing and investment decision.
  - Borrowing
    - a. Are funds available in call accounts?
    - b. Arrange temporary borrowing through a broker for the shortest period of time at the lowest rate of interest available.
  - Investing
    - a. Establish funds available to be invested
    - b. Establish a maturity date using cash flow.
    - c. Using the Ratings spreadsheet – Headroom available with each counterparty
    - d. Check the credit ratings and other market information available for the chosen counterparty.
    - e. Use a broker to find the highest rate of interest for the requirements above
    - f. If after the above, funds still cannot be placed and call accounts and money market funds are full, then invest with Debt Management Office (DMO).
5. The 2021 Prudential Code is clear that in order to comply with this Code, an authority must not borrow to invest primarily for financial return.

It is not prudent for the Council to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the Council's functions and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

The Statutory Guidance of Local Authority Investments in Wales 2019 considers that borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles in the statutory framework. If the Council chooses not to comply with this principle in order to invest in property or other financial assets for commercial return, then the Council must make additional disclosures about the reasons for doing so.

6. Liability benchmark [LB]: The Liability Benchmark is a long-term measure of the underlying need to borrow for all purposes over the long term and is based on its current capital programme and other forecast cash flow movements.

It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing (or long term investments, if the Council is a net



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investor) are more appropriate.

The LB an important borrowing risk management measure and will be inclusive in the decision-making process so as to prevent over-borrowing; it will also therefore form part of the Council's audit trail justifying long-term borrowing decisions.

To determine future years' debt requirement or, conversely, monies available for longer-term investment, the Council will estimate and measure the LB for the full debt maturity profile. It is presented as a chart of four balances:

- the Council's current and projected Loans CFR and MRP
- existing loan debt (does not include forecast debt),
- net loans requirement, taking into account balance sheet resources
- liability benchmark, which also takes into account the Council's required liquidity allowance.

The LB is analysed as part of the annual treasury management strategy.

Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

Our treasury advisor Arlingclose provides the Council with an online live tool (using Microsoft Teams) to assist with the preparation and regular updating of this important treasury management indicator.

### 6. Non-treasury investments - for each individual investment:

- A business case is produced and is taken through the required approval process
- Due diligence is performed and professional advice taken, where necessary
- The duration of any borrowing required is determined based on a scheme appraisal and / or the expected asset life

## TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

### 4.1 Approved activities of the treasury management operation

All borrowing is undertaken in accordance with the Local Government Act 2003 section 1 and all investments undertaken in accordance with section 12.

The approved activities are:

- borrowing.
- lending.
- debt repayment and rescheduling.

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- consideration, approval and use of new financial instruments and treasury management techniques.
- managing the underlying risk associated with the Council's capital financing and surplus funds activities.
- managing cash flow.
- banking activities.
- leasing.

### 4.2 Approved Instruments for Borrowing

The approved sources of long-term and short-term borrowing will be:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Clwyd Pension Fund)
- insurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leases
- hire purchase
- Private Finance Initiative
- sale and leaseback
- WG Mutual Investment Model

### 4.3 Approved Instruments for Investments

The annual Treasury Management Strategy provides details of specified and non-specified investments and the maximum limits for each, as is required under Guidance issued by the Welsh Government. The approved investment instruments are -

- Fixed term deposits
- Certificates of Deposit
- Bank accounts (Instant Access & Notice Accounts)
- Pooled Investment Vehicles (Such as money market funds)
- U.K. Treasury Bills
- Loans
- Bonds
- Reverse Repurchase Agreements
- Commercial Papers

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### 4.4 Approved Techniques

- Forward dealing up to 364 days.
- Callable deposits.

### 4.5 Approved methods and sources of raising capital finance

Finance will only be raised in accordance with the Prudential Code for Capital Finance, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

#### **On Balance Sheet**

Public Works Loan Board (PWLB)  
European Investment Bank (EIB)  
Local authorities  
Banks  
Building societies  
Pension funds  
Stock issues  
Negotiable Bonds  
Internal sources (capital receipts & revenue balances)  
Sterling commercial paper  
Sterling medium term notes  
Leases

#### **Off Balance Sheet**

Deferred Purchase

#### **Other Methods of Financing**

Government and EC Capital Grants  
Lottery monies  
Private Finance Initiative (PFI)  
WG Mutual Investment Model

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from approved sources.

### 4.6 Register of financial institutions who have approved the Council as “professional clients” under the provisions of MiFID II

<b>Financial Institution:</b>	<b>Relationship with the Council:</b>
Arlingclose Limited	Treasury management advisors
Martin Brokers Ltd	Broker
Tradition (UK) Ltd	Broker
ICAP plc	Broker
Tullet Prebon (UK) Ltd	Broker
Imperial Treasury Services	Broker

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BGC Partners	Broker
King & Shaxson Limited	Broker & Custodians
Institutional Cash Distributors (ICD)	Money market funds
Federated Investors (UK) LLP	Money market funds
Aberdeen/Standard Life	Money market funds
Insight Investment	Money market funds
Coventry Building Society	Building society

- 4.7** Financial derivatives: (Councils) Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Election (Wales) Act 2021 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

## TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

### 5.1 Limits to responsibilities/discretion at committee/Cabinet levels

#### 1. County Council

The Council is responsible for: -

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of annual Policy and Strategy.
- Approval of/amendments to the Council's adopted clauses, Treasury Management Policy and Strategy.
- Budget consideration and approval.
- Approval of the division of responsibilities.

#### 2. Cabinet

The Cabinet is responsible for:

- Receiving reports from the Chief Finance Officer informed by the deliberations of the Governance and Audit Committee on the

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implementation and regular monitoring of its Treasury Management Policy, Strategy and Practices.

- Consideration of Treasury Policy and Strategy for approval by Council.

### 3. Governance and Audit Committee

The Governance and Audit Committee is responsible for –

- Reviewing the Treasury Management Policy and Practices and making recommendations to Cabinet.
- Receiving and reviewing regular monitoring reports.

### 5.2 Principles and practices concerning segregation of duties

<b>Procedure</b>	<b>Regular</b>	<b>Trained in Absence</b>
Cash balances	Accounting Technician	Accounting Technician/Technical Principal Accountant/FSO
Dealing and limit calculations	Accounting Technician	Accounting Technician/Technical Principal Accountant/FSO
Logotech	Accounting Technician	Accounting Technician/Technical Principal Accountant/FSO
Dealing check	Accounting Technician	Accounting Technician/Technical Principal Accountant/FSO
Dealing authorisation	6 Authorised Bank Signatories - Corporate Finance Manager, 5 Strategic Finance Managers	
Funds transfer operators	Finance Support Officer (FSO)	4 Accounting Technicians/Technical Principal Accountant
Funds transfer approval	6 Principal Accountants	
Bankline system administrators	Principal Accountant (Systems)	Accounting Technician

### 5.3 Statement of duties/responsibilities of each Treasury post

#### 1. Chief Finance Officer

- Recommending clauses, Treasury Management Policy/Practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular Treasury Management Policy and Strategy reports.

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- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management.
- Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit and liaising with external audit.
- Approving the selection of external service providers (within the Council's Contract Procedure Rules) and agreeing terms of appointment.

### 2. Strategic Finance Manager - Capital, Technical and Financial Systems

- To deputise for the Chief Finance Officer.
- To advise the Chief Finance Officer in the discharge of his/her duties.
- Regularly review the Treasury Management function.
- Submitting management information reports to the Chief Finance Officer.
- Drafting reports for Governance and Audit Committee, Cabinet and Council.
- Review a monthly report from the Technical Principal Accountant on the performance of the Treasury Management function.

### 3. Technical Principal Accountant

- Supervise treasury management staff.
- Review the draft report on the performance of the Treasury Management function.
- Identify and recommend opportunities for improved practices.
- Ensure that the day-to-day activities accord with the Treasury Management Policy Statement and Practices.

### 4. Accounting Technician

- Execution of transactions.
- Adhere to agreed policies and practices on a day-to-day basis.
- Maintain relationships with counterparties and external service providers.
- Draft reports for Governance and Audit Committee, Cabinet and Council.
- Produce cash flow projections and monitor performance.
- Report on the performance of the Treasury Management function.

### 5. Other Officers

- To deputise as necessary for the above posts, adhering to their duties and responsibilities.

#### 5.4 Dealing Limits

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As outlined in 1 - Credit and Counterparty Policies

### 5.5 List of Approved Brokers

Six approved brokers are currently used by the Council (see 11.2).

- ICAP Limited
- Martin Brokers (UK) Plc
- Prebon Marshall Yamane (UK) Limited
- Tradition (UK) Ltd
- Imperial Treasury Services
- BGC Sterling

### 5.6 Policy on Brokers' Services

Reviewed annually.

### 5.7 Policy on taping conversations

No conversations are currently taped

### 5.8 Direct Dealing Practices

This is undertaken as and when required to maximise investment return

### 5.9 Settlement transmission procedures

Standard Settlement Instructions

### 5.10 Documentation Requirements

- Flintshire CC Treasury Management Policy Statement.
- Flintshire CC Treasury Management Annual Strategy.
- Flintshire CC Treasury Management Annual Outturn Report.
- Flintshire CC Treasury Management Mid-Year Report
- Treasury Management Health checks.
- Loans and Treasury Management System Manual (LOGOTECH).
- Cash Flow Statement (LOGOTECH).
- Money Market Dealing Form.
- Loans and Investments Outstanding / Limit Calculations.
- List of Brokers and Telephone Numbers.
- Approved Counterparties (Regular update from TM Advisers).
- Arlingclose Consultancy Services Correspondence (TM Advisers).
- Treasury Management Operational Guidelines.
- Treasury Management (Long Term Borrowing) Operational Guidelines.
- Treasury Management Procedures

## Treasury Management Practice Schedules 2023 - 2026

### 5.11 Arrangements concerning the management of third-party funds.

Third party funds are included in the net daily bank balance and the funds are utilised by the Council on that basis. Interest is paid as follows -

- Insurance Fund – average seven-day rate, annually.

### 5.12 Non-treasury investments

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.

Arrangements for each investment as TMP3 above.

## TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

### 6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be scrutinised by Governance and Audit Committee, submitted to the Cabinet and then to the County Council Committee for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy is concerned with the following elements:
  - the prospects for interest rates.
  - the limits placed by the Council on treasury activities
  - the expected borrowing strategy.
  - the expected investment strategy.
  - the expectations for debt rescheduling.
  - any extraordinary treasury issues.
  - Treasury Management Indicators.
4. The Treasury Management Strategy will establish the expected move in interest rates (using all available information such as published interest rate forecasts where applicable).



## Treasury Management Practice Schedules 2023 - 2026

### 6.2 Prudential Code for Capital Finance

1. In accordance with legislation, the Council is required to approve key indicators and limits for the Prudential Code for Capital Finance. These are listed below and reported in the Prudential Indicators Report.

- Capital expenditure
- Capital financing requirement (CFR)
- Authorised Limit and Operational boundary
- Gross debt and the CFR
- Financing costs to net revenue stream
- Net income from commercial and service investments to net revenue stream

The following are within the Treasury Management Code.

- Liability benchmark (from 2023/24)
  - Maturity structure of borrowing
  - Long-term treasury management investments Upper limit on fixed interest rate exposures
  - Upper and lower limits for maturity structure of borrowing
  - Limit for principal sums invested for periods longer than 364 days
2. The Chief Finance Officer is responsible for putting forward for approval the relevant limits for the Treasury Management Code into the annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Chief Finance Officer shall submit the changes for scrutiny by the Governance and Audit Committee and recommendation by the Cabinet before submission to County Council for approval.

### 6.3 Annual Investment Strategy

The Welsh Government requires the documentation of an Annual Investment Strategy including the following:

- Specified Investments – Investments offering high security and liquidity
- Non-specified Investments – Investments with greater potential risk
- Investments which can be prudently committed for longer than 1 year.
- Credit Risk Assessment.
- Use of Investment Consultants.
- Investment Training.
- Investment money borrowed in advance of need.

### 6.4 Annual Report on Treasury Management Activity

An annual report will be presented to the Governance and Audit Committee, Cabinet and then the County Council at the earliest practicable meeting after the end of the financial year. This report will include the following: -

## Treasury Management Practice Schedules 2023 - 2026

- a comprehensive picture for the financial year of all treasury policies, plans, activities and results
- transactions executed and their revenue (current) effects
- report on risk implications of decisions taken and transactions executed
- monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- monitoring of compliance with powers delegated to officers
- degree of compliance with the original strategy and explanation of deviations
- explanation of future impact of decisions taken on the Council
- measurements of performance
- report on compliance with CIPFA Code recommendations

The report will be subject to review by the Governance and Audit Committee.

### 6.5 Mid-Year Review

A mid-year report will be presented to the Governance and Audit Committee, Cabinet and County Council, which will include the following:

- activities undertaken
- variations (if any) from agreed policies/practices
- interim performance report
- regular monitoring
- monitoring of treasury management indicators for local authorities.

The report will be subject to review by the Governance and Audit Committee

### 6.6 Management Information Reports

The Technical Principal Accountant will report management information to the Strategic Finance Manager - Capital, Technical and Financial Systems monthly for review. The Strategic Finance Manager will report monthly to the Chief Finance Officer.

### 6.7 Presentation of Reports

As a minimum:

The County Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and TMPs.

## **Treasury Management Practice Schedules 2023 - 2026**

In addition to the above, the Governance and Audit Committee and Cabinet will receive regular monitoring reports on treasury management activities and risks. Governance and Audit Committee will also have responsibility for the scrutiny of treasury management policies and practices.

Treasury Management Indicators will be reported in the strategy.

### **6.8 Non-treasury investments**

- Commercial investments - Proportionality of forecasted income against net revenue budget is reported regularly.

Income generated from commercial investments monitored on a monthly basis and any significant variances reported through monthly budget monitoring, with any on-going pressures or efficiencies fed through to the MTFs.

- Service Investments - Reported annually to Cabinet.

## **TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

### **7.1 Statutory/ Regulatory Requirements**

The treasury management part of the statement of accounts has been prepared in accordance with the accounting policies applicable to local authorities.

### **7.2 Accounting Practices and Standards**

The accounts are prepared in accordance with the CIPFA Treasury Management in the Public Sector Code of Practice, supported by guidance notes on the application of accounting standards.

### **7.3 Budget Monitoring**

The budget for treasury management activities is monitored on a monthly basis through the Central Loans and Investment Account (CLIA).

## **TMP8 CASH AND CASH FLOW MANAGEMENT**

### **8.1 Arrangements for preparing/submitting cash flow statements**

Annual cash flow prepared before the start of the financial year and updated throughout the year.

### **8.2 Content and frequency of cash flow budgets**

All known cash flow factors are included for the coming financial year.

### 8.3 Listing of sources of information

Correspondence from external organisations and internal departments, together with various information extracted from the Annual Budget Book.

External –

- Welsh Government
- North Wales Police
- North Wales Fire Authority

Internal –

- Payroll
- Pensions
- Council Tax
- Creditors

### 8.4 Bank statement procedures

All bank statement information is obtained electronically from the NatWest Bankline website.

### 8.5 Procedures for banking of funds

All day-to-day treasury management transactions are paid and received by the Clearing House Automated Payments System (CHAPS).

### 8.6 Cash Flow Management

Arrangements as detailed in section 3.1.4

### 8.7 Debtors and Creditors

Debtors and creditors are monitored so that any significant moves can be prepared for. Creditors provide warning of payments 2 days in advance.

### 8.8 Liability Benchmark

The LB is helps establish whether the Council is likely to be a long-term borrower or long-term investor in the future and represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level to manage day-to-day cash flow.

The LB will be updated regularly through the year by the Council with developments and/or timing changes in the capital programme as well as changes to balance sheet resources.

## Treasury Management Practice Schedules 2023 - 2026

### TMP9 MONEY LAUNDERING

#### 9.1 Procedures for establishing identity/authenticity of Lenders

1. The Council does not accept loans from individuals. All loans are obtained from the PWLB or from authorised institutions on the FCA Register which is a public record of financial service firms, individuals and other bodies which fall under its regulatory jurisdiction as defined in the Financial Services & Markets Act 2000 (FSMA). This Act came into force on 1<sup>st</sup> December 2001.
2. Any borrowing undertaken from the money markets is through money brokers, who are also authorised and regulated by the Financial Conduct Authority. This adds a further layer of protection as the broker vets the institutions involved in any transactions.
3. Appropriate consideration will be given to identify and verify SMEs when undertaking any lending to SMEs.

### TMP10 TRAINING AND QUALIFICATIONS

#### 10.1 Details of approved training courses

1. Reviewed as part of the annual employee appraisal process. The Council's treasury advisers also provide training on treasury issues to staff when required.

#### 10.2 Records of training received by Treasury staff

All training is recorded on a departmental database.

#### 10.3 Approved qualifications for Treasury staff

All treasury officers are qualified to Association of Accounting Technicians level as a minimum.

#### 10.4 Training of Members

Governance and Audit Committee Members will receive a quarterly treasury management report and training will be given as required. Other Members will be invited to attend training and receive treasury reports as outlined in these practices.

#### 10.5 Statement of Professional Practice (SOPP)

1. Where the Chief Finance Officer is a member of CIPFA, there is a professional need for the Chief Finance Officer to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of

## Treasury Management Practice Schedules 2023 - 2026

CIPFA must also comply with the SOPP.

### 10.6 Non-treasury investments

The Council employs qualified property, legal and finance officers to manage activity and provide advice within their respective disciplines. Specialist external advisors will be engaged where appropriate.

## TMP11 USE OF EXTERNAL SERVICE PROVIDERS

### 11.1 Details of contracts with Service Providers, including Bankers, Brokers, Consultants & Advisers

#### 1. Banking services:

- National Westminster Bank Plc
- Contract commenced January 2020 to run for 5 years
- Cost of core service - £33,000 p.a.
- Payments due on an ongoing basis throughout the year

#### 2. Money-broking services:

The following money market brokers' services are utilised for day-to-day transactions as and when required.

- ICAP plc
- Martin Brokers (UK) plc
- Prebon Marshall Yamane (UK) Limited
- Tradition UK Limited
- BGC Sterling
- Imperial Treasury Services

#### 3. Treasury Consultant services:

- Arlingclose Consultancy Services
- Contract commenced 10<sup>th</sup> September 2021 for 3 years, with the option to extend for a further 2 years.
- Cost of service - £11,750 plus VAT per annum, increasing by £750 each year
- Payments due annually

### 11.2 Procedures and frequency for tendering services

See TMP2 Performance Measurement section (2.2) for full details of services tendered. The process must comply with the Council's Contract Procedure rules.

## Treasury Management Practice Schedules 2023 - 2026

### TMP12 CORPORATE GOVERNANCE

#### **12.1 List of documents to be made available for public inspection**

- 12.1.1 Treasury Management Policy Statement
- 12.1.2 Treasury Management Strategy
- 12.1.3 Treasury Management Practices
- 12.1.4 Treasury Management Mid-Year Report
- 12.1.5 Treasury Management Annual Outturn Report

### APPENDIX A

#### Definition of Ratings

##### Fitch Long Term

- **AAA** - Highest credit quality. Rating denotes the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. The capacity is highly unlikely to be adversely affected by foreseeable events.
- **AA** - Very high credit quality. Rating denotes expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- **A** - High credit quality. Rating denotes expectation of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
- **BBB** - Good quality rating. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

The modifiers "+" & "-" may be appended to any of the ratings above to denote a relative status within major categories.

##### Moody's Long Term

- **Aaa** - Judged to be one of the highest quality, with minimal credit risk
- **Aa** - Judged to be of high quality and are subject to very low credit risk
- **A** - Considered upper-medium grade and are subject to low credit risk
- **Baa** - Offers adequate credit quality. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time.

Moody's appends numerical modifiers 1, 2 and 3 to each rating classification. 1 indicates that the obligation ranks in the higher end of its category, 2 mid-range and 3 a ranking in the lower end of that category.

##### Standard & Poor's Long Term

- **AAA** - An obligor rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.



## Treasury Management Practice Schedules 2023 - 2026

- **AA** - An obligor rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
- **A** - An obligor rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.
- **BBB** - An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

**Plus (+) or minus (-) the** ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories

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**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

**At 31st December 2022**

**APPENDIX 5**

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	31/01/23	0.80%	6,685	UK BANK	1 month or less
<b>NATIONAL WESTMINSTER BANK</b>	<b>1.0</b>						
DEBT MANAGEMENT OFFICE	5.0	06/12/22	06/06/23	3.42%	85,266	UK GVT	3 months +
<b>DEBT MANAGEMENT OFFICE</b>	<b>5.0</b>						
CENTRAL BEDFORDSHIRE COUNCIL	3.0	22/12/22	13/01/23	3.30%	5,967	LA	1 month or less
<b>CENTRAL BEDFORDSHIRE COUNCIL</b>	<b>3.0</b>						
WIRRAL BOROUGH COUNCIL	2.0	19/12/22	19/01/23	3.18%	5,402	LA	1 month or less
<b>WIRRAL BOROUGH COUNCIL</b>	<b>2.0</b>						
ABERDEEN LIQUIDITY FUND	4.0	01/04/22	31/01/23	3.28%	109,633	MMF	1 month or less
<b>ABERDEEN LIQUIDITY FUND</b>	<b>4.0</b>						
CCLA PUBLIC SECTOR DEPOSIT	4.0	06/07/22	31/01/23	3.31%	75,813	MMF	1 month or less
<b>CCLA PUBLIC SECTOR DEPOSIT</b>	<b>4.0</b>						
DEUTSCHE MANAGED STERLING FUND	4.0	04/05/22	31/01/23	3.32%	98,963	MMF	1 month or less
<b>DEUTSCHE MANAGED STERLING FUND</b>	<b>4.0</b>						
FEDERATED INVESTORS	4.0	03/07/22	31/01/23	3.25%	75,507	MMF	1 month or less
<b>FEDERATED INVESTORS</b>	<b>4.0</b>						
INVESCO	1.4	01/11/21	31/01/23	3.22%	56,319	MMF	1 month or less
<b>INVESCO</b>	<b>1.4</b>						
<b>TOTAL</b>	<b>28.4</b>			<b>3.22%</b>	<b>519,554</b>		
<b>PREVIOUS REPORTS TOTALS (30th September 2022)</b>	<b>41.3</b>			<b>1.71%</b>	<b>396,938</b>		
<b>PREVIOUS YEARS REPORTS TOTALS (31st December 2021)</b>	<b>27.3</b>			<b>0.07%</b>	<b>8,135</b>		

Tudalen 323

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

**At 31st December 2022**

**APPENDIX 5**

Tudalen 324

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)	5.0	18%			5.0	
UK Bank	1.0	4%	1.0			
UK Building Society (UK BS)	0.0	0%				
Overseas	0.0	0%				
Local Authorities	5.0	18%	5.0			
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	17.4	61%	17.4			
<b>Total (£)</b>	<b>28.4</b>		<b>23.4</b>	<b>0.0</b>	<b>5.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>82%</b>	<b>0%</b>	<b>18%</b>	<b>0%</b>

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

At 31st December 2022

APPENDIX 6

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

PWLB Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
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
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	02/10/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/10/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/10/39
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/10/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/10/36
06/12/18	10,000,000	2.64	264,000	06/12/68
<b>Total</b>	<b>226,720,113</b>	<b>5.09</b>	<b>11,538,766</b>	

PWLB Fixed Rate Annuity Loans				
06/12/18	7,174,032	2.79	200,155	06/01/63
07/01/20	564,590	3.06	17,276	07/01/60
30/03/20	283,672	2.65	7,517	30/03/60
30/03/20	1,031,737	2.65	27,341	30/03/60
02/11/20	1,359,143	2.55	34,699	02/11/57
09/02/21	2,478,461	1.79	44,364	09/02/58
30/04/21	568,157	2.15	12,215	30/04/61
<b>Total</b>	<b>13,459,792</b>	<b>2.55</b>	<b>343,569</b>	

PWLB Fixed Rate Equal Instalment of Principal Loans				
01/04/19	7,666,667	1.65	162,250	01/04/34
13/08/19	6,250,000	1.28	80,000	13/08/37
16/12/20	4,545,455	1.16	52,727	16/12/42
28/01/22	9,772,727	2.07	202,295	28/01/44
<b>Total</b>	<b>28,234,848</b>	<b>1.76</b>	<b>497,273</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				
19/12/17	148,349	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
27/03/19	961,328	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	33,679	0.00	0.00	01/10/25
12/07/22	27,400	0.00	0.00	01/10/29
<b>Total</b>	<b>4,384,475</b>	<b>0</b>	<b>0</b>	

Totals				
<b>Fixed Rate</b>	<b>268,414,754</b>		<b>12,379,608</b>	
<b>LOBOs</b>	<b>18,950,000</b>		<b>858,095</b>	
<b>Other</b>	<b>4,384,475</b>		<b>0</b>	
<b>Grand Total</b>	<b>291,749,230</b>	<b>4.54</b>	<b>13,237,703</b>	

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**FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING**

**At 31st December 2022**

**APPENDIX 7**

<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>
No loans outstanding							
<b>TOTAL</b>	<b>0.0</b>			<b>0.00%</b>	<b>0</b>	<b>0</b>	
<b>PREVIOUS REPORTS TOTALS (30th September 2022)</b>	<b>0.0</b>			<b>0.00%</b>	<b>0</b>	<b>0</b>	
<b>PREVIOUS YEARS REPORTS TOTALS (31st December 2021)</b>	<b>20.0</b>			<b>0.02%</b>	<b>1,157</b>	<b>4,836</b>	

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

**At 31st December 2022**

**APPENDIX 7**

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	0.0	0%				
<b>Total (£)</b>	<b>0.0</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>



# Eitem ar gyfer y Rhaglen 8



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 25 <sup>th</sup> January 2023
<b>Report Subject</b>	Code of Corporate Governance
<b>Report Author</b>	Chief Executive
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The Code of Corporate Governance forms part of the Constitution. It is reviewed and updated annually to ensure it is up to date and complies with all relevant legislation and other requirements.

As the Code of Corporate Governance forms part of the Council's Constitution it will be presented for endorsement at the next Constitution and Democratic Services Committee in March 2023.

### RECOMMENDATIONS

1	The Committee to endorse the updated Code of Corporate Governance for adoption as part of the Council's Constitution.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE CODE OF CORPORATE GOVERNANCE</b>
1.01	<p>The Corporate Governance Working Group (CGWG) has two main roles: To annually review the Code of Corporate Governance and the preparation of the Annual Governance Statement (AGS).</p> <p>Under both roles the Group prepares draft documentation for consideration by the Chief Executive, Monitoring Officer and Section 151 Officer prior to consideration by the Governance and Audit Committee. The membership of this officer working group is detailed within Appendix A, Section 4 attached.</p>

1.02	<p>The Council's Code of Corporate Governance forms part of the Constitution and applies to all parts of the Council's business. Members and employees of the Council in carrying out its business must conduct themselves in accordance with the high standards expected.</p> <p>The Code draws from work and guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) and their joint document entitled '<i>Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities 2016</i>'.</p>
1.03	<p>The relationship between the CIPFA /SOLACE guidance, the Code of Corporate Governance, the Annual Governance Statement, Council Plan and the Governance and Audit Committee's responsibilities for these and risk management, is shown in the diagram below.</p>
1.04	<p>The CIPFA/SOLACE Guidance note for Welsh Authorities was received in December 2016 following revision to take account of Welsh legislation and Wales only policies in particular the Well-being of Future Generations (Wales) Act 2015.</p> <p>The CIPFA/SOLACE Framework is intended to assist authorities in ensuring that:</p> <ul style="list-style-type: none"> <li>resources are directed in accordance with agreed policy and according to priorities;</li> <li>there is sound and inclusive decision making; and</li> <li>there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.</li> </ul> <p>As a result of the revised Guidance note, the Code of Corporate Governance was last significantly revised in 2018/19 followed by annual reviews to ensure relevance and accuracy.</p>

	The updating and formatting review of the code was initially carried out by the Corporate Governance Working Group followed by consultation with the Chief Executive, Monitoring Officer and Section 151 Officer. The revised code can be seen at Appendix A.
1.05	<p>The seven principles for the code (taken from the Framework) are as follows:</p> <ul style="list-style-type: none"> <li>A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law;</li> <li>B Ensuring openness and comprehensive stakeholder engagement;</li> <li>C Defining outcomes in terms of sustainable economic, social and environmental benefits;</li> <li>D Determining the interventions necessary to optimise the achievement of the intended outcomes;</li> <li>E Developing the Council's capacity, including the capability of its leadership and the individuals within it;</li> <li>F Managing risks and performance through robust internal control and strong public financial management;</li> <li>G Implementing good practices in transparency, reporting and audit to deliver effective accountability.</li> </ul>
1.06	The principles of the Code are to be used by the Corporate Governance Working Group, Chief Officers and Overview and Scrutiny Committee chairs to help inform the preparation of the Annual Governance Statement.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	With the Corporate Governance Working Group, Chief Executive, Monitoring Officer, section 151 Officer and senior officers where appropriate.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The main risk is in not updating the Code, meaning it does not reflect the systems in place or meet the requirements.</p> <p>Similarly, in order to comply with requirements, the AGS needs to be prepared each year with input from members and officers, including an annual review of the effectiveness of governance.</p> <p>Both these risks are addressed through the adopted processes and approach each year, which reflect new or additional best practice and guidance.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A: Code of Corporate Governance

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit, Performance and Risk Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities.</p> <p>It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership.</p> <p>It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management Processes.</p>

# Flintshire County Council's

## DRAFT Code of Corporate Governance

2022-2023



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Whilst the Council is the Administering Authority for the Clwyd Pension Fund (the Pension Fund), the Clwyd Pension Fund produce their own Annual Governance Statement.

## 1. Introduction and Purpose

In accordance with the *Delivering Good Governance Framework* there is an expectation that there is a formally set local structure of governance, often referred to as the Local Code, within each local authority although in practice it may consist of a number of documents. Each authority should be able to demonstrate that the governance structure in place complies with the principles and sub principles contained within the *Delivering Good Governance Framework*.

"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>

Flintshire County Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code (structure) 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 the Council's website. A summary of the principles upon which it is based can be found in section 3 of this document.

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. At the heart of our effective corporate governance is our adherence to the seven Nolan principles derived from *Striking the Balance - Upholding the Seven Principles of Public Life in Regulation* as listed within the table across and the five ways of working of the Well-being of Future Generations Act.

The diagram below is based on the International Framework: *Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework')*,

Seven Principles of Public Life	
<b>Selflessness</b>	Holders of public office should act solely in terms of the public interest.
<b>Integrity</b>	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
<b>Objectivity</b>	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
<b>Accountability</b>	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
<b>Openness</b>	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
<b>Honesty</b>	Holders of public office should be truthful.
<b>Leadership</b>	Holders of public office should exhibit these principles in their own behaviour.

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

and illustrates the various principles of good governance in the public sector and how they relate to each other.

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

### Seven Principles of Good Governance



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## 2. How the Council Achieves Good Governance overall:

With this section we demonstrate how good governance is achieved and maintained against the Core Principles and Sub Principles of the Delivering Good Governance Framework.

**Principle A: Core principle: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

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Behaving with integrity	How the Council achieves this
<ol style="list-style-type: none"> <li>1. Ensuring Members and employees behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Organisation.</li> <li>2. Ensuring Members take the lead in establishing specific values for the organisation and its employees and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</li> <li>3. Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</li> <li>4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies/processes which are reviewed on a regular basis to ensure that they are operating effectively.</li> </ol>	<ul style="list-style-type: none"> <li>• Our <a href="#">Constitution</a> has the Codes of Conduct and Protocols which Members and Officers (employees) have agreed to comply with.</li> <li>• The Council requires our Members, whether they are elected or co-opted, to sign and to be bound by our Code.</li> <li>• Code of Conduct for Members (1,2,3, &amp; 4)</li> <li>• The Flintshire Standard which contains a Local Resolution Procedure for complaints about Member behaviour (1,2,3 &amp; 4)</li> <li>• Protocol for Members in their dealings with contractors, developers and other third parties. (1,3 &amp; 4)</li> <li>• Protocol on Member/ Officer relations (1,2,3 &amp; 4)</li> <li>• Officers’ Code of Conduct (1,3 &amp; 4)</li> <li>• We operate an effective elections protocol, ensuring high standards are upheld during election periods. (1)</li> <li>• Our list of ‘politically restricted posts is reviewed regularly and post holders reminded of statutory restrictions on their political activities. (1,2,3,&amp; 4)</li> <li>• We have <a href="#">Diversity and Equality ; Dignity at Work, and Whistleblowing</a> policies; an Anti-fraud and Corruption Strategy and a Fraud Response Plan (1,2,3 &amp; 4)</li> </ul>

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	<ul style="list-style-type: none"> <li>• Guidance has been provided to members on conduct of Remote Attendance Meetings</li> </ul>
<p><b>Demonstrating strong commitment to ethical values</b></p>	<p><b>How the Council achieves this:</b></p>
<p>5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's operation.</p> <p>7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>8. Ensuring the external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</p>	<ul style="list-style-type: none"> <li>• The Council's commitment to the Nolan principles is shown in the codes and policies below which are found in the <a href="#">Constitution</a>:             <ul style="list-style-type: none"> <li>- <i>Code of Conduct for Members</i> (5,6)</li> <li>- <i>The Flintshire Standard</i> which contains a <i>Local Resolution Procedure for complaints about Member behaviour</i> (5,6)</li> <li>- <i>Protocol for Members in their dealings with contractors, developers and other third parties.</i> (5,6)</li> <li>- <i>Protocol on Member/ Officer relations</i> (5,6)</li> <li>- <i>Officers' Code of Conduct</i> (5,6)</li> </ul> </li> <li>• Contract Procedure Rules (7)</li> <li>• Financial Procedure Rules (7)</li> <li>• Procurement Strategy (7)</li> <li>• Whistle blowing policy (7)</li> <li>• Compliance with the Equality Act 2010 and Wellbeing of Future Generations (Wales) Act 2015 (8)</li> </ul>
<p><b>Respecting the rule of law</b></p>	<p><b>How the Council achieves this:</b></p>
<p>9. Ensuring Members and employees demonstrate a strong commitment to the rule of law as well as adhering to the relevant laws and regulations.</p> <p>10. Creating the conditions to ensure that the statutory officers, other key post holders and Members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>11. Striving to optimise the use of the Council's full powers available for the benefit of its citizens, its communities and other stakeholders.</p>	<ul style="list-style-type: none"> <li>• Our Chief Officer (Governance) is the Monitoring Officer and Senior Information Risk Officer (SIRO) (9,10,11,12,13)</li> <li>• The Internal Audit function within the Governance Portfolio reports regularly to the Governance and Audit Committee which includes two independent lay Members. (9,11,12,13)</li> <li>• We have a Standards committee which promotes and maintains high standards of conduct by elected and co-opted Members. It comprises five independent, lay Members, three county councillors and one representative of community and town councils. (9,10,11)</li> </ul>

<p>12. Dealing with breaches of legal and regulatory provisions effectively.</p> <p>13. Ensuring corruption and misuse of power are dealt with effectively.</p>	<ul style="list-style-type: none"> <li>• Our relationship with the Wales Audit office and other regulatory bodies (Information Commissioner's Office and the Equality and Human Rights Commission, plus the four Welsh Commissioners for Welsh Language, Future Generations, Children and Older People) is strong. (9, 11,12)</li> <li>• We have a robust Overview &amp; Scrutiny function of five committees which together cover all of the Council's functions and our external partnerships. (9,10,11)</li> <li>• The Chairs and Vice-Chairs of the Governance and Audit Committee and the Overview &amp; Scrutiny Committees now meet on a quarterly basis as a Liaison Group to ensure that there is co-ordination and to avoid duplication of activity between the functions. (10)</li> <li>• Unresolved or unsatisfied customer complaints can be considered by Public Services Ombudsman for Wales, whose contact details are published on our website. (9,10,12,13)</li> </ul>
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**Principle B: Ensuring openness and comprehensive stakeholder engagement**

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Openness	How the Council achieves this
<p>14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>15. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping decisions confidential should be provided.</p> <p>16. Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>17. Using formal and informal consultation and engagement to inform the most appropriate and effective interventions / courses of action.</p>	<ul style="list-style-type: none"> <li>• Council's website, intranet and partners networks to continually demonstrate our commitment to openness (14,15)</li> <li>• Most committee reports are considered in public unless there is demonstrable legal basis for confidentiality (15)</li> <li>• Annual Reports for the Overview and Scrutiny Committees and Governance and Audit Committee (14,15)</li> <li>• A calendar of Council meetings is available on the Council's website which includes links to the livestream (14)</li> <li>• All Council meetings are streamed via live webcast. Recordings are subsequently available on our website (15)</li> <li>• Committee Papers published on the Council's website (16)</li> <li>• County Forum (17)</li> <li>• Concerns and Complaints Policy (17)</li> <li>• Surveys (17)</li> <li>• Consultation events (17)</li> <li>• Customer Care Policy Statement &amp; Standards (17)</li> <li>-</li> </ul>
Engaging comprehensively with institutional stakeholders	How the Council achieves this:
<p>18. Effectively engaging with stakeholders to ensure that the purpose, objective and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p>	<ul style="list-style-type: none"> <li>• Strategic Partnerships (18,19)</li> <li>• Public Services Board (Well-being Plan) (19)</li> <li>• Partnerships with NEWydd and Aura Leisure and Libraries (19)</li> <li>• Agreed governance of Partnerships (20)</li> </ul>

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<p>19. Developing formal and informal partnerships to allow for resources to be used more effectively and outcomes achieved more effectively.</p> <p>20. Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit.</p>	
<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p>	<p><b>How the Council achieves this:</b></p>
<p>21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>22. Ensuring communication methods are effective and that Members and employees are clear about their roles with regard to community engagement.</p> <p>23. Encouraging, collecting and evaluating the views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>24. Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</p> <p>25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>26. Taking account of the interests of future generations of tax payers and services users.</p>	<ul style="list-style-type: none"> <li>• Social Media Policy (21, 24)</li> <li>• Surveys, Impact and Evidence gathering (22)</li> <li>• Effective methods of Communication (22)</li> <li>• Armed Forces Network (23)</li> <li>• Integrated Impact Assessments (25)</li> <li>• Strategic Reports (26)</li> <li>• Medium Term Financial Strategy (26)</li> <li>• Annual Performance Report (26)</li> </ul>

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

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Defining outcomes	How the Council achieves this:
<p>27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</p> <p>28. Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer.</p> <p>29. Delivering defined outcomes on a sustainable basis within the resources that will be available.</p> <p>30. Identifying and managing risks to the achievement of outcomes.</p> <p>31. Managing expectations effectively with regard to determining priorities and making the best use of the resources available.</p>	<ul style="list-style-type: none"> <li>• Council Plan (27,28)</li> <li>• Integrated Impact Assessments (28)</li> <li>• Business Recovery Plans (29, 31)</li> <li>• Medium Term Financial Strategy (29,31)</li> <li>• Capital Strategy and Asset Management Plan (29,31)</li> <li>• Resilience Statements (29,31)</li> <li>• Risk Management Framework and User Guide (30)</li> <li>• Digital Strategy (31)</li> <li>• Concerns and Complaints Policy (31)</li> <li>• Customer Care Policy Statement &amp; Standards (31)</li> <li>• People and Organisational Development Strategy (31)</li> <li>• HR Business Continuity Plan (31)</li> </ul>
Sustainable economic, social and environmental benefits	How the Council achieves this:
<p>32. Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</p> <p>33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints.</p>	<ul style="list-style-type: none"> <li>• Committee Reports (32,33,34)</li> <li>• Budget Setting Policy (32,33)</li> <li>• Capital Strategy and Asset Management Plan (32,33)</li> <li>• Integrated Impact Assessments (32,34)</li> <li>• Equality and Welsh Language Impact Assessments which also integrates with the requirements of the Well-being of Future Generations Act (WBFG) (34,35)</li> <li>• Well-being Assessment and Well-being Plan (34)</li> <li>• Armed Forces Network (35)</li> </ul>

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| <p>34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure optimal solutions for stakeholders.</p> <p>35. Ensuring fair access to services.</p> |  |
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**Principle D: Determine the interventions necessary to optimise the achievements of the intended outcomes**

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Determining interventions	How the Council achieves this:
<p>36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided.</p> <p>37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p>	<ul style="list-style-type: none"> <li>• Committee System (36)</li> <li>• Committee Meetings, workshops &amp; briefings (36)</li> <li>• Committee Minutes (36)</li> <li>• Committee Reports (37)</li> <li>• Updated Guidance Notes for the completion of Committee Reports (37)</li> </ul>
Planning interventions	How the Council achieves this:
<p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</p> <p>39. Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively including shared risks.</p> <p>41. Ensuring arrangements are flexible/agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</p> <p>42. Establishing appropriate local performance indicators (as well as statutory or other national performance indicators) as part of</p>	<ul style="list-style-type: none"> <li>• Council's Schedule of Meetings approved by the annual meeting of Council (38,39)</li> <li>• Cabinet receives the combined forward work programme on a monthly basis (38,39)</li> <li>• Each of the five Overview &amp; Scrutiny Committees reviews its own Forward work programme at each meeting (38,39)</li> <li>• Council Plan Performance Monitoring (38,42)</li> <li>• Consultation and Engagement Policy (39)</li> <li>• Risk Management Framework and User Guide (40)</li> <li>• Council Plan, Portfolio Plans and Corporate Performance Monitoring (41,43)</li> </ul>



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<p>the planning process in order to assess how the performance of services is to be measured.</p> <p>43. Ensuring capacity exists to generate the information required to review service quality regularly.</p> <p>44. Preparing budgets in accordance with organisational objectives, strategies and the Medium-Term Financial Strategy.</p> <p>45. Informing medium and long-term resources planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</p>	<ul style="list-style-type: none"> <li>• Medium Financial Term Strategy (44,45)</li> </ul>
<p><b>Optimising achievement of intended outcomes</b></p>	<p><b>How the Council achieves this:</b></p>
<p>46. Ensuring the Medium-Term Financial Strategy integrates and balances off service priorities, affordability and other resource constraints.</p> <p>47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</p> <p>48. 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.</p> <p>49. 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 purchasing of goods, services and outcomes"</p>	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy (46,47)</li> <li>• Annual Budget Setting process (46,47)</li> <li>• Procurement Strategy (49)</li> <li>• Contract Procedure Rules (49)</li> <li>• Social Value Strategy (49)</li> <li>• Social Value Procurement Policy (49)</li> </ul>

**Principle E: Developing the Council's capacity, including the capability of its leaderships and the individuals within it**

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Developing the entity's capacity	How the Council achieves this:
<p>50. Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</p> <p>51. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently.</p> <p>52. Recognising the benefits of partnerships and collaborative working where added value can be achieved.</p> <p>53. Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.</p>	<ul style="list-style-type: none"> <li>• Annual Performance Report (50,51)</li> <li>• Council Plan Performance Monitoring (50,51)</li> <li>• Agreed Council's Capital Strategy &amp; Asset Management Plan (50,51)</li> <li>• Review of the Council's People and Customer Care Policy Statement &amp; Standards (50)</li> <li>• Audit Wales Audit Summary (51,52)</li> <li>• Strategic and/or regional partnerships/forums – for example, Public Services Board (52)</li> <li>• Endorsed and approved People and Organisational Development Strategy and associated action plan (53)</li> <li>• Transition plan management, workforce planning assessments (including succession plans) and service resilience and efficiency statements (53)</li> </ul>
Developing the capability of the entity's leadership and other individuals	How the Council achieves this:
<p>54. Developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>55. Publishing a statement that specifies the types of decisions delegated to the Cabinet and those reserved for the collective decision making of the Council.</p>	<ul style="list-style-type: none"> <li>• Our Constitution and Scheme of Delegation are under regular review and set out the arrangements for our governance (54, 55, 56 and 57)</li> <li>• Clearly defined job description for the Chief Executive which sets out the statutory, strategic, and management and leadership roles (56)</li> <li>• Ability to respond to change demands through flexibilities within the Senior Management structure (57)</li> </ul>

<p>56. Ensuring the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.</p> <p>57. Developing the capabilities of Members and senior management to achieve effective shared leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.</p> <p>58. Ensuring employees have access to appropriate induction tailored to their role with ongoing training and development matching individual and organisational requirements is available and encouraged.</p> <p>59. Ensuring Members and employees have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to continuously update their knowledge.</p> <p>60. Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses.</p> <p>61. Ensuring that there are structures in place to encourage public participation.</p> <p>62. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p> <p>63. Holding employees to account through regular performance reviews which take account of training and development needs.</p> <p>64. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>	<ul style="list-style-type: none"> <li>• Individual corporate and services specific induction and support for all employees in new jobs. Bespoke induction and support for elected Members (58)</li> <li>• After whole council elections, there is a comprehensive induction programme for new and returning Members (57)</li> <li>• Performance appraisals, are one of a number of performance management tools used, including 1-2-1 meetings, day to day supervision and team meetings, that aim to ensure employees' performance contributes to business objectives, and is used as part of a holistic approach to managing performance (58,63)</li> <li>• Knowledge and skills are built and maintained through regular briefings and workshops (59 and 60)</li> <li>• A range of e-learning modules are available to employees and members to enhance (or refresh) their knowledge of specific areas (59)</li> <li>• Action plans following external regulator inspection (60)</li> <li>• External regulatory protocol in place (60)</li> <li>• A range of public consultation methods, a concerns and complaints policy and statutory protocols for public engagement in Overview and Scrutiny (61)</li> <li>• Welcome peer reviews of both governance arrangements and service delivery to improve the effectiveness of leadership (62)</li> <li>• Career structures are in place for all employees and encourage participation in development and training (62,63)</li> <li>• Wellbeing appraisal introduced during 2020 which focuses on health and well-being of employees and immediate priorities (63)</li> <li>• Provision of learning and development opportunities for all employees, details of available courses accessible on the Infonet and bookable via iTrent (63)</li> <li>• An increase in the use of e-learning to support employees working remotely (63)</li> <li>• A range of Council policies and procedures including, Health and Wellbeing, Alcohol and Substance Misuse and Violence against</li> </ul>
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	<p>Women, Domestic Abuse and Sexual Violence (VAWDASV) Workplace Policies are available on the Infonet (64)</p> <ul style="list-style-type: none"><li>• Provision of and promotion of our Employee Assistance Programme (EAP) which provides emotional and practical support for issues at home or in work and supplements the support available from Occupational Health (64)</li><li>• Dedicated Health and Wellbeing section on the Infonet which provides access to support on an individual, management and team level, including the useful numbers and links to external support networks e.g. MIND, Samaritans (64)</li></ul>
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**Principle F: Managing risks and performance through robust internal control and strong financial management**

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Managing risk	How the Council achieves this:
<p>65. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</p> <p>66. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</p> <p>67. Ensuring that responsibilities for managing individual risks are clearly allocated.</p>	<ul style="list-style-type: none"> <li>• Risk Management Framework and User Guide (65)</li> <li>• One central Risk Register. (65,66,67)</li> <li>• Business Plans (65)</li> </ul>
Managing Performance	How the Council achieves this:
<p>68. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</p> <p>69. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook.</p> <p>70. Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council’s performance and that of any organisation for which it is responsible.</p> <p>71. Providing Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</p>	<ul style="list-style-type: none"> <li>• Business Planning (68)</li> <li>• Risk Management (68)</li> <li>• Performance Monitoring. (68)</li> <li>• Post Implementation Reviews. (68)</li> <li>• Integrated Impact Assessments. (69)</li> <li>• Financial Procedural Rules. (69)</li> <li>• Contract Procedural Rules. (69)</li> <li>• Five Overview and Scrutiny Committees. (70)</li> <li>• Chair &amp; Vice Chairs Liaison Group. (70)</li> <li>• Calling in Process. (70)</li> <li>• Cabinet. (70,71)</li> <li>• Council’s Constitution. (70)</li> <li>• Council Policies. (70)</li> <li>• Council Plan Performance Monitoring (71)</li> <li>• Annual Improvement Review. (71)</li> </ul>

<p>72. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</p>	<ul style="list-style-type: none"> <li>• Publicly published Agenda and minutes. (71)</li> <li>• Publicly reported Overview &amp; Scrutiny Annual Report. (71)</li> <li>• Publicly Report Internal Audit Annual Report. (71)</li> <li>• Budget Monitoring Process. (72)</li> <li>• Budget Monitoring Reports. (72)</li> <li>• Corporate Resources Overview &amp; Scrutiny. (72)</li> </ul>
<p><b>Robust internal control</b></p>	<p><b>How the Council achieves this:</b></p>
<p>73. Aligning the risk management strategy and policies on internal control with achieving the Council's objectives.</p> <p>74. Evaluating and monitoring the Council's risk management and internal control on a regular basis.</p> <p>75. Ensuring effective counter-fraud and anti-corruption arrangements are in place.</p> <p>76. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>77. Ensuring an Governance and Audit Committee or equivalent group or function which is independent of the Cabinet provides a further source of effective assurance arrangements for managing risk and maintain an effective control environment and that its recommendations are listened to and acted upon.</p>	<ul style="list-style-type: none"> <li>• Risk Management Framework and User Guide. (73,74)</li> <li>• Business Recovery Plans. (73)</li> <li>• Service Plans. (73)</li> <li>• Internal Audit Reviews (74)</li> <li>• Governance and Audit Committees endorsement of strategy and biannual performance reports. (74,76)</li> <li>• Corporate Anti-Fraud and Corruption Strategy. (75)</li> <li>• Fraud Response Plan. (75)</li> <li>• Whistleblowing Policy. (75)</li> <li>• Fraud Risk Assessment of the Council (75)</li> <li>• Internal Audit and Compliance with Public Sector Internal Audit Standard (PSIAS). (76)</li> <li>• Independence of the Internal Audit Service within the Council (76)</li> <li>• Corporate Self-Assessment (76)</li> <li>• Delivery of the Annual Internal Audit Risk Based Plan. (74,76)</li> <li>• Governance and Audit Committee comprising of six Members and three lay Members. The Chair of the Committee is a lay Member. (77)</li> <li>• Governance and Audit Committee Charter and Terms of Reference. (77)</li> <li>• Governance and Audit Committee's Annual Report. (77)</li> <li>• Governance and Audit Committee's compliance with the CIPFA guide for Governance and Audit Committee's (77)</li> </ul>

Managing Data	How the Council achieves this:
<p>78. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used.</p> <p>79. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</p> <p>80. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p>	<ul style="list-style-type: none"> <li>• Information Security Management System. (78,79)</li> <li>• Data Protection Policies, Guidance and Training. (78,79)</li> <li>• Cyber Security Training. (78)</li> <li>• Public Sector Network Accreditation. (78)</li> <li>• Wales Accord for Sharing Personal Information (WASPI). (79)</li> <li>• GDPR Phase 2 Action Plan. (78,79,80)</li> <li>• Corporate Information Asset Register. (78,80)</li> <li>• Cyber Essentials Accreditation. (78)</li> <li>• Data Processing Agreements. (78)</li> <li>• Corporate reporting and monitoring of security breaches. (78,80)</li> <li>• Data Protection Audit. (80)</li> <li>• IT Technical Specification. (78, 79, 80)</li> <li>• Central recording of corporate performance data (InPhase) (80)</li> <li>• External data quality audits. (80)</li> <li>• Internal audit of data to support decision making (80)</li> </ul>
Strong public financial management	How the Council achieves this:
<p>81. Ensuring the Council's financial management supports both long term achievement of outcomes and short-term financial and operational performance.</p> <p>82. Ensuring well-developed financial management is integrated at all organisational levels of planning and control, including management of financial risks and controls.</p>	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy (MTFS.) (81)</li> <li>• Business Efficiency Plans. (82)</li> <li>• Part 4 of the Constitution – Budget and Policy Framework Procedure Rules. (82)</li> <li>• Monthly revenue monitoring reports to Cabinet and Corporate Resources Overview and Scrutiny Committee. (82)</li> <li>• Quarterly capital monitoring reports to Cabinet and Corporate Resources Overview and Scrutiny Committee. (82)</li> <li>• Treasury Management and Policy Statement. (82)</li> <li>• Scheme of Delegation. (82)</li> </ul>

	<ul style="list-style-type: none"><li>• Financial Procedural Rules. (82)</li><li>• Council's Constitution. (82)</li><li>• Internal Performance Indicators for the MTFS, monitored with the Council Plan. (82)</li></ul>
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**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

Implementing good practice in transparency	How the Council achieves this:
<p>83. Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p> <p>84. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny whilst not being too onerous for the Council to provide and for users to understand.</p>	<ul style="list-style-type: none"> <li>• Council Website (83,84)</li> <li>• Council's publication scheme (83,84)</li> <li>• Annual Performance Report (83,84)</li> <li>• Updated Report Format and Writing Guidance (83,84)</li> <li>• Easy read and use of infographics of strategies and public documents (83,84)</li> </ul>
Implementing good practices in reporting	How the Council achieves this:
<p>85. Reporting at least annually on performance, value for money and the stewardship of its resources.</p> <p>86. Ensuring Members and senior management own the results.</p> <p>87. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement).</p> <p>88. Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</p> <p>89. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.</p>	<ul style="list-style-type: none"> <li>• Annual Performance Report (85)</li> <li>• Council Plan Performance Monitoring (85)</li> <li>• Audited and Signed Statement of Accounts (85,86,89)</li> <li>• Monitoring and reporting of Council improvement (87)</li> <li>• Corporate Self-Assessment (86,87)</li> <li>• Code of Corporate Governance (87,88)</li> <li>• Annual Governance Statement (87,88)</li> <li>• Mid-Year Update on the Annual Governance Statement (87)</li> </ul>

Assurance and effective accountability	How is the Council achieves this:
<p>90. Ensuring that recommendations for corrective action made by external audit are acted upon.</p> <p>91. Ensuring an effective internal audit service with direct access to Members is in place which provides assurance with regard to the Council's governance arrangements and recommendations are acted upon.</p> <p>92. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</p> <p>93. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>94. Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</p>	<ul style="list-style-type: none"> <li>• Committee Papers (90)</li> <li>• External Regulation Reporting and Monitoring Protocol (90)</li> <li>• Action tracking and reporting (90)</li> <li>• Independent position of Internal Audit within the Council with direct access to Senior Officers and Members (91)</li> <li>• Quarterly meetings with the Leader of the Council (91)</li> <li>• Annual Self-Assessment and external assessment for compliance with the Internal Audit Public Sector Standards (PSIAS) (91)</li> <li>• Regular Self-Assessment of Services (92)</li> <li>• External validation via benchmarking (when available) and commissioned assessments (92)</li> <li>• External Regulatory Reports (Committee Minutes) (92)</li> <li>• Annual Summary of External Regulatory reports to Governance and Audit Committee (92)</li> <li>• Peer Reviews (92)</li> <li>• Risk Assessment and Governance Arrangements for Partnerships (alternative delivery models) (93)</li> <li>• Partnership governance arrangements (94)</li> </ul>

### 3. Monitoring and Review

The Code of Corporate Governance forms part of the Constitution. It is reviewed and updated annually by the Corporate Governance Group to ensure it is up to date and complies with all relevant legislation and other requirements. The Code of Corporate Governance is used to update the Annual Governance Statement.

The membership of the Corporate Governance Group is:

Lisa Brownbill (Chair)	Internal Audit, Performance and Risk Manager
Andrew Elford	Principal Accountant
Mandy Humphries	ICT Services Business Manager
Sharon Carney	Corporate Manager, People and Organisational Development
Margaret Parry-Jones	Overview & Scrutiny Facilitator
Rebecca Jones	Customer Contact Service Manager
Kelly Oldham-Jones	Strategic Executive Officer

#### 4. Assurance Statements

I am satisfied that there are effective governance arrangements in place, including a sound system of internal control, throughout the year ended 31<sup>st</sup> March and that this is ongoing.

Signed	Position	Date
	Chief Executive	
	Section 151 Officer	
	Chief Officer - Governance	

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# Eitem ar gyfer y Rhaglen 9



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 25 <sup>th</sup> January 2023
<b>Report Subject</b>	Internal Audit Progress Report
<b>Report Author</b>	Internal Audit, Performance and Risk Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Governance and Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the Committee to fulfil the Terms of Reference with regards to Internal Audit. The current progress report is attached.

### RECOMMENDATIONS

1	To consider and accept the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	Internal Audit gives a progress report to the Governance and Audit Committee every quarter as part of the usual reporting process. The report is divided into several parts.
1.02	The level of audit assurance for standard audit reviews is detailed within Appendix A. All reports finalised since the last committee meeting are shown in Appendix B.
1.03	Appendix C provides an oversight to Governance & Audit Committee on the cumulative assurance for the 2022/23 audit plan; however, it should be noted this will be fluid. A footnote has been included to list those reports issued with a Red / Amber Red assurance opinion.

1.04	<p>The automated tracking of actions is completed through the use of the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>At the last committee in September, 52 actions were overdue. This has slightly increased to 58 for this reporting period. This represents 54% of all live actions of which six are High priority actions and 29 Medium priority actions. Overall, 106 actions are live, detailed in Appendix D</p> <p>For reporting purposes to Governance and Audit Committee those High or Medium priority actions are to be reported of which there are 35. Actions overdue are listed in Appendix E. Appendix F lists 2 high and 7 medium actions that are older than six months from the original due date.</p>
1.05	Appendix G shows the status of current investigations into alleged fraud, irregularities or concerns raised. There are three ongoing investigations.
1.06	<p>Appendix H shows the range of performance indicators for the department.</p> <p>Overall performance remains good however there is a reduction in the number of client questionnaires being returned to us.</p>
1.07	Appendix I shows the current position of the 2021/22 audit plan for which the last remaining audit has been finalised. For the 2022/23 Audit Plan, the plan will continue to be reviewed on a regular basis and reprioritised to accommodate any new requests for work, or to respond to emerging issues.
1.08	<p>Since the last report to the Committee in September there has been a need to defer two audits until 2023/24. This is detailed in Appendix I and below:</p> <ul style="list-style-type: none"> <li>• Section 106 Agreements. Management currently reviewing these processes therefore an audit would not be timely or of value to the service. Agreed to review in 2023/24.</li> <li>• Maes Gwern Follow Up – based on the update provided to Governance and Audit Committee in September it would be premature to review this service. Planned in for Quarter 1 of 2023/24.</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None

<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 work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<p>Appendix A Levels of Audit Assurance</p> <p>Appendix B Final Reports Issued Since June 2022</p> <p>Appendix C Audit Assurance Summary</p> <p>Appendix D Action Tracking – Portfolio Statistics</p> <p>Appendix E High &amp; Medium Overdue Actions (including actions older than 6 months if overdue)</p> <p>Appendix F Actions older than six months from original due date and not overdue</p> <p>Appendix G Investigation Update</p> <p>Appendix H Performance Indicators</p> <p>Appendix I Operational Plan 2021/22 and 2022/23</p>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit, Performance and Risk Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Internal Audit:</b> Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</p> <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>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Operational Plan:</b> the annual plan of work for the Internal Audit team.</p>

Mae'r dudalen hon yn wag yn bwrpasol



# Flintshire Internal Audit

Progress Report



January  
2023

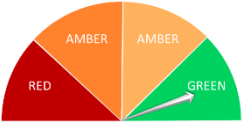
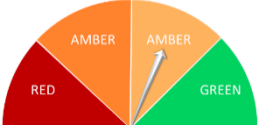
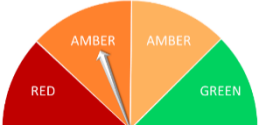
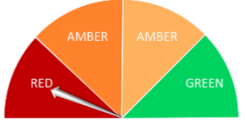
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Investigation Update.....	Appendix G
Internal Audit Performance Indicators.....	Appendix H
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# Levels of Assurance – Standard Audit Reports

# Appendix A

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits, and summary findings from Amber Red audits will be reported to the Governance and Audit Committee.

Level of Assurance	Explanation
<p style="text-align: center;"><b>Green – Substantial</b></p> 	<p><b>Strong controls in place (all or most of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist and are applied consistently and effectively</li> <li>• Objectives achieved in a pragmatic and cost effective manner</li> <li>• Compliance with relevant regulations and procedures</li> <li>• Assets safeguarded</li> <li>• Information reliable</li> </ul> <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p><b>Follow Up Audit:</b> 85%+ of actions have been implemented. All high priority actions have been implemented.</p>
<p style="text-align: center;"><b>Amber Green – Reasonable</b></p> 	<p><b>Key Controls in place but some fine tuning required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact</li> <li>• Some refinement or addition of controls would enhance the control environment</li> <li>• Key objectives could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p> <p><b>Follow Up Audit:</b> 51-85% of actions have been implemented. All high priority actions have been implemented.</p>
<p style="text-align: center;"><b>Amber Red – Some</b></p> 	<p><b>Significant improvement in control environment required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively</li> <li>• Evidence of (or the potential for) financial / other loss</li> <li>• Key management information exists but is unreliable</li> <li>• System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.</li> </ul> <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p><b>Follow Up Audits</b> - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<p style="text-align: center;"><b>Red – Limited</b></p> 	<p><b>Urgent system revision required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>• Key controls are absent or rarely applied</li> <li>• Evidence of (or the potential for) significant financial / other losses</li> <li>• Key management information does not exist</li> <li>• System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.</li> </ul> <p>Conclusion: a lack of adequate or effective controls.</p> <p><b>Follow Up Audit</b> - &lt;30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<p><b>Categorisation of Actions</b></p>	<p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p>
<p><b>Value for Money</b></p>	<p>The definition of Internal Audit within the Audit Charter includes ‘It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.’ These value for money findings and recommendations are included within audit reports.</p>

## Final Reports Issued Since September 2022

## Appendix B

The following reports and advisory work have been finalised since the last Governance and Audit Committee. Action plans are in place to address the weaknesses identified.

Project Reference	Portfolio	Project Description	Audit Type	Level of Assurance	New Actions		
					High	Med	Low
31-2022/23	P&R	Financial Management Accounting	Risk	AG	0	2	2
06-2022/23	H&C	Housing Rent Arrears	Risk	AG	0	1	1
18-2022/23	Gov	Corporate Debt Management	Risk	AG	0	1	1
32-2022/23	E&Y	Risk Based Thematic Review - Castell Allun School	Risk	AG	0	1	2
49-2022/23	P&R	Payroll	Risk	AG	0	3	2
58-2022/23	E&Y	Drury Primary School Follow Up Report	Risk	G	0	0	0
15-2022/23	GOV	Information Technology Governance	Risk	G	0	0	2
05-2022/23	Gov	Enforcement Agents / Bailiffs	Risk	G	0	0	1
55-2022/23	H&C	Housing Support Grant	Grant	Grant	-	-	-
AC 09-2022/23	SS	Placements	Advisory	Advisory	-	-	-
AC 02-2022/23	P&R	Pay Modelling	Advisory	Advisory	-	-	-
AC 05-2022/23	E&Y	Scheme for Financing Schools	Advisory	Advisory	-	-	-
07-2022/23	PE&E	Flood Alleviation and Water Management	Advisory	Advisory	-	-	-
AC 08-2022/23	Corp	NFI	Advisory	Advisory	-	-	-

# Audit Assurance Summary for 22/23

# Appendix C

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Portfolio	Number of Reports & Assurance						Priority & Number of Agreed Actions			
	Red	Amber Red	Amber Green	Green	Advisory / Grant - No Opinion Given	In Total	High	Medium	Low	In Total
Corporate					2	2				0
Education & Youth			1	1	4	6	-	5	3	8
Governance			1	2		3		1	3	5
Housing & Community			1	1	2	4	-	1	2	3
People & Resources			2		1	3		5	4	9
Planning, Environment & Economy		1			1	2	1	5	-	6
Social Services					1	1				0
Streetscene & Transportation					1	1	-	-	-	0
Cross Cutting Portfolio's						0				0
External			1			1		2	4	6
<b>Total</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>12</b>	<b>23</b>	<b>1</b>	<b>19</b>	<b>17</b>	<b>37</b>

Footnote:	
Red Assurance:	-
Amber Red Assurance:	Domestic Energy (PE&E)

# Action Tracking – Portfolio Performance Statistics

# Appendix D

Tudalen 366

Portfolio
Chief Executives
Education & Youth
Governance
Housing & Communities
People & Resources
Planning, Environment & Economy
Social Services
Streetscene & Transportation
External
Individual Schools
<b>Total</b>

Live Actions – January 2023				
Live Actions	Actions Beyond Due Date <i>(excludes Actions with revised due date)</i>			Actions with a Revised Due Date
	H	M	L	
4	-	-	-	4
4	-	1	-	4
10	-	3	2	1
20	5	8	3	12
26	-	4	8	7
6	-	5	-	0
7	-	-	-	7
9	1	1	3	8
3	-	-	-	3
17	-	7	7	5
<b>106</b>	<b>6</b>	<b>29</b>	<b>23</b>	<b>51</b>
	<b>58</b>			

Actions beyond <u>Original</u> due date	
Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
<i>See Appendix F &amp; G</i>	
0	3
0	3
2	0
3	13
3	7
0	0
0	0
5	4
3	0
1	3
<b>17</b>	<b>33</b>

## High and Medium Actions Overdue

## Appendix E

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
P&R	Main Accounting AP&P2P- Payment invoices process are not aligned to regulatory requirements	2621	Council no longer publish this data but it is available and from 2019/20 it will be included in the Key Performance Indicators reported as part of the MTFS.	M	30-Sep-19	30-Sep-21	39	20 September 2022 13:29 - We do now capture this information but as a council we don't currently prepare a corporate services performance report so I don't see what else I can do on this other than utilise the data for internal performance management?	
Tudalen 367 P&R	20/21 Collaborative Planning: The Financial Procedure Rules are not clear on the requirement to use CP and also reference a set of procedures which have not been formalised	3038	Management is confident that other controls are in place and there is no wider risk to the Council's budget monitoring processes In relation to this specific scope and review: Finance will produced a formal procedure to compliment the already available CP user guide and advice from accounts. A reminder of roles and responsibilities will be communicated to budget holders and will be made available on the Finance infonet page	M	30-Jun-21	30-Sep-22	18	7.6.22. Collaborative Planning: Roles and Responsibilities document is still not finalised. Need to liaise with Systems team on this further. Suggest the action date is moved to the end of September 2022	No Update Provided
P&R	20/21 Collaborative Planning: Lack of system compliance monitoring reporting and escalation	3061	A Financial Systems User group has been set up, to allow those with responsibility for how financial systems are used to be able to recommend improvements of use and share concerns of lack of discipline of use. These will be shared with COT.	M	30-Jun-21	31-Jul-22	18	7.6.22 - The review by the Systems user Group has been completed. The outcome will be referred to in a paper to be shared soon with COT on options for a new system – therefore suggest we revise deadline to end of July 2022.	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
P&R	2021/22 Income from Fees and Charges - Carelink / Telecare fees and charges	3276	<p>We recognise that Carelink / Telecare is a complicated area and the service may require additional support in order to define and calculate accurate full cost recovery.</p> <p>The need to review full cost recovery to actual costs charged for Carelink / Telecare will be reported to the Strategic Finance Manager, Management Accounting and Principal Accountants immediately.</p> <p>All costs are due to be reviewed as part of the annual review of fees and charges for 2022.</p> <p>Any issues will be reported to the Chief Officer in line with the Income Generation Policy.</p>	M	31-Jul-22		5	No Update Provided	No Update Provided



Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
E&Y	20/21 School Attendance & Exclusions: Compliance with the Data Protection Act	3101	<p>DP training to be updated on iTrent. ISPs to be put in place, with appropriate awareness sessions to ensure staff within the team are aware of, and comply with the protocols.</p> <p>Privacy notices will be reviewed and updated following changes to the service delivery model.</p>	M	31-Aug-21	31-Dec-22	16	<p>13 September 2022 06:06 - The staff in my portfolio receive regular supervision either by their manager or from myself in the case of each Manager. Staff compliance with required training modules is part of this discussion and the area of GDPR is a key priority. Staff must complete the mandatory Learning Pool modules by 31 12 22. In addition, a review of services also identified that Information Sharing Protocols need to be finalized in some cases and this too has been addressed with a target date of 31 12 22.</p>	<p>13.09.22: Email from John Grant requesting the due date be revised to 31.12.22 in line with the narrative update provided.</p> <p>The staff within my cohort receive regular supervision which includes reference to training updates and requirements. The Managers cascade these requirements and reminders to staff are repeated in supervision and appraisal. A standing item on Service Development Agenda is in relation to Audit and Estyn targets and these factors are cross checked with Business Support Records. Outline ISP has been completed and submitted for my Progression Service and a meeting with Deborah Sainsbury is booked to finalize EWO version. This will facilitate privacy notice aspect of the audit requirements when completed.</p>

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
GOV	21/22 Organisational Ethics & Values: Update of Policies/Protocols within the Constitution (3)	3262	Key ethical policies & guidance owned by the Governance Portfolio to be reviewed and refreshed in accordance with defined review dates, specifically; Declaration of Interest guidance notes on the Infonet (for officers) not updated since May 2003. Employee Privacy Policy & Statement 2018-2020. Email and Internet Usage Policy (not updated since July 2012).	M	31-Dec-21		12		
GOV	Data Protection 21/22-Portfolio action plans have not been drafted to address areas of underperformance.	3314	Chief Officers to manage data protection compliance within their portfolios. Chief officers to investigate root causes for non-compliance and identify a number of actions to achieve compliance with the minimum tolerance level (80%). Recognising it may take time for portfolios to achieve 80%, improvements will be incremental with 80% compliance to be achieved by a deadline specified by the Chief Officer in their remedial plan. Reporting to continue to be produced to measure portfolio performance against minimum tolerance level highlighting the risk of ICO enforcement / penalty. The above process to be discussed and agreed with Chief Officers.	M	31-Oct-22		2	17 May 2022 13:41: Update advising report taken to COT who agreed to reset our target for training and IRR to 70% for the next 12 months. Also agreement was obtained to set the renewal interval on the IAR to 2 years for this year and next so that can get time for the ICOG members to focus on IRRs and training	see follow up notes
GOV	22/23 Housing Rent Arrears - Compliance checking to be evidenced	3444	A defined process will be put in place to ensure that compliance checking is documented and evidenced.	M	31-Dec-22		0	No Update Provided	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	Travellers - 2018/19 - Transit Site	2352	Significant work is being undertaken by the Council to bring forward transit sites following the endorsement of this work by the Community and Housing Scrutiny Committee in December 2017. The Council has identified a number of sites for detailed appraisal and at the time of the audit, was awaiting comments from Arc4 who had been commissioned on their suitability. It should be noted that no local authority in Wales has a Transit Site.	M	30-Sep-20	01-Oct-22	27	20 July 2022 08:16: There is no update as we are still waiting for Planning Inspector review - pls BF to 01/10/22	Delays caused by Covid, however the local development plan review is expected to be completed in October. Due date set to end of November to ensure the service has the time to react to the local development review. Due date subsequently revised to 1.2.22 awaiting receipt of the planning inspectors LDP report.  See revised and updated comments relating to the LDP.
H&C	SARTH Follow Up 2019/20 - The number of overrides remains high	3008	Ensure that there is regional oversight for "overrides" through the SARTH Operational Panel, and that opportunities for service improvement are identified for action at the local level.  Explore opportunities for improvements within the Open Housing System to reduce the number of overrides through changes or enhancements to the Allocations Module.  Ensure all staff allocating properties via SARTH (FCC and Housing Partners), have regular training on the matching process. When overrides are necessary they should be recorded accurately with reason codes and detailed narrative for justification.	M	31-Jul-21	31-Dec-21	17	11 July 2022 08:38: changed responsible officer as requested.  Request to revise date to 31/12/21 - new manager re SARTH/Housing Register. Need to develop plan for Homelessness.	From MC 7/9/21 - request to revise date to 31/12/21 - new manager re SARTH/Housing Register. Need to develop plan for Homelessness. SJ Revised due date on this basis. have advised these are longstanding.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	SARTH Follow Up 2019/20 - Applicant reviews are not being carried out on a regular basis	3009	Embed the periodic review process within routine operational practice of the Housing Register Team. Explore opportunities to use technology such as text, and online engagement to assist with the applications and periodic review process. Ensure robust management oversight of periodic reviews through monthly monitoring reports and a clearly documented process.	M	31-Jul-21	31-Mar-22	17	10 November 2022 13:20: SLA currently states all applications will be reviewed on a 6 monthly basis regardless of banding status. However due to significant resource pressures within the service reviews are currently not up to date. This issue will be raised at our next Operational meeting which is due to be held on 06.12.2022 and I will be asking for a paper to go to Steering Group to consider changing currently SLA to allow reviews to be taken on a risk-based approach, Band 1 every 3 monthly, Band 2 every 6 monthly, Band 3 & 4 every 12 -18 months. This will ensure that the review process is up to date and focus on those applicants who are more likely to be closer to being offered a property than just a blanket approach. In addition, all colleagues in Housing Register Team and Contact Staff who deal with incoming calls are trained and complete ad hoc reviews when speaking with applicants. There is a robust training process in place, and this is provided to all new staff and discussed at monthly team meetings with Contact Centre Team Leads and also	7/9/21 - request to revise date to 31/12/21 - new manager re SARTH/Housing Register. Need to develop plan for Homelessness. Revised due date on this basis. have advised these are longstanding.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
								includes colleagues in Connects.	
H&C	SARTH Follow Up 2019/20 - Not all band 1 tenancies have had pre-tenancy checks or landlord references evidenced	3010	Review the pre tenancy approach with SARTH Partners to develop a consistent way of undertaking "pre tenancy checks". Clearly document the outcome of any changes to practice and formalise through a documented procedure Develop an internal transfer's procedure for FCC, which picks up on those applicants who are existing FCC tenants, in order to assess their suitability for a move (not housing need, but picking up on arrears and property condition) as well as helping tenants to prepare for a move. Develop a Tenancy Ready / Home Starter Support Matrix which will identify households who may require additional support with setting up home and managing the practicalities of a move in order to target support services at those with greatest support needs	M	31-Jul-21	31-Dec-21	17	11 July 2022 08:37: changed responsible officer as requested.  Request to revise date to 31/12/21 - new manager re SARTH/Housing Register. Need to develop plan for Homelessness.	7/9/21 - request to revise date to 31/12/21 - new manager re SARTH/Housing Register. Need to develop plan for Homelessness. Revised due date on this basis. have advised these are longstanding.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	21/22 Maes Gwern Contractual Arrangement- Overage sum calculation not being monitored as per the development agreement	3140	A process to be introduced to monitor the overage sum in line with the agreed calculation stated in the overarching agreement.	H	29-Oct-21	31-Mar-22	14	<p>30 September 2022 06:03: No further information received.</p> <p>27 September 2022 11:51: 18 Jan 2022 - 3 documents attached were sent to internal audit on 18/1/22. After review by SA, it is unclear what the process which has been set up to deal with these changes going forward, the impact on capital receipts as a result of the review and whether any remaining funds are outstanding. Sent to principal auditor to view on whether can close with current information.</p>	Report to go to November 2021 Audit Committee - deadline for final papers 10.11.21. Due date aligned with AC papers date to prevent duplication in tracking - 21.10.21. See follow up notes above re revised due date - meetings to begin in December 2021.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	21/22 Maes Gwern Contractual Arrangements- Changes to unit type have an impact on capital receipts	3159	A process and a process owner to be devised and introduced to identify any discrepancies in changes to property type and chase any remaining funds and interest due to the Council since the completion date. Any risks to the achievement of the agreed capital receipts should be considered and escalated to Chief Officer.	H	29-Oct-21	31-Dec-21	14	12 December 2022 14:31: Email received on 12.12.22 with some information in relation to change in unit types. Information provided was an email trail in relation to some changes which had been made for a number of plots which had been reviewed. From a completeness perspective this was not evident for all plots and in line with was agreed and required as evidence the following was emailed back to PC to advise 'Agreed evidence to be provided for this action: Evidence of the established process which was introduced to identify changes to property type. Evidence that only two changes have been made in line with your email and the financial impact of those changes if any.	Report to go to November 2021 Audit Committee - deadline for final papers 10.11.21. Due date aligned with AC papers date to prevent duplication in tracking - 21.10.21.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	21/22 Maes Gwern Contractual Arrangements- The finance process in place to monitor capital receipts is not adequate.	3174	A review to be complete of all current processes and these be aligned with the requirements stipulated in the Development Agreement. Management information to be reviewed at established governance routines to ensure programme deliverables are on track in line with Development Agreement. Identified changes to capital receipts should be escalated to the Chief Officer of Housing and Assets.	H	29-Oct-21		14	29 November 2022 07:59 A meeting was held following the GAC update to discuss expectation of evidence and understand whether any information was available for review to assist with the closing of the actions. In preparation for the meeting, evidence expectation was detailed against each agreed finding within the report and this has been attached below. During the meeting management provided an update of the actions taken subsequent to the audit but no evidence was provided for review. A follow up email was sent and is attached detailed the agreement from the meeting and requirements from the service. To date no further information has been provided.	Report to go to November 2021 Audit Committee - deadline for final papers 10.11.21. Due date aligned with AC papers date to prevent duplication in tracking - 21.10.21.



Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	21/22 Maes Gwern Contractual arrangements- The Abnormal costs being tracked for the development are not in line with the development agreement.	3137	Abnormal costs to be tracked in line with the figure stated in the Development Agreement. Impact to be assessed whether abnormal costs will be met.	M	29-Oct-21	31-Mar-22	14	29 November 2022 08:00: A meeting was held following the GAC update to discuss expectation of evidence and understand whether any information was available for review to assist with the closing of the actions. In preparation for the meeting, evidence expectation was detailed against each agreed finding within the report and this has been attached below. During the meeting management provided an update of the actions taken subsequent to the audit but no evidence was provided for review. A follow up email was sent and is attached detailed the agreement from the meeting and requirements from the service. To date no further information has been provided.	Report to go to November 2021 Audit Committee - deadline for final papers 10.11.21. Due date aligned with AC papers date to prevent duplication in tracking - 21.10.21.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	21/22 Maes Gwern Contractual Arrangements- Unit Completion date not monitored	3141	A process to be introduced to oversee and compare the unit completion date and time with the date and time of when the payments are received by the council to highlight instances where interest may be due in line with the Overarching Agreement.	M	29-Oct-21	31-Mar-22	14	29 November 2022 08:04: A meeting was held following the GAC update to discuss expectation of evidence and understand whether any information was available for review to assist with the closing of the actions. In preparation for the meeting, evidence expectation was detailed against each agreed finding within the report and this has been attached below. During the meeting management provided an update of the actions taken subsequent to the audit but no evidence was provided for review. A follow up email was sent and is attached detailed the agreement from the meeting and requirements from the service. To date no further information has been provided.	Report to go to November 2021 Audit Committee - deadline for final papers 10.11.21. Due date aligned with AC papers date to prevent duplication in tracking - 21.10.21.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	21/22 Maes Gwern Contractual arrangements-roles and responsibilities have not been fully defined	3160	A full review to be completed by the newly appointed SHARP Project Manager to ensure contractual requirements are being met and roles and responsibilities have been defined	M	29-Oct-21	31-Mar-22	14	29 November 2022 08:05: A meeting was held following the GAC update to discuss expectation of evidence and understand whether any information was available for review to assist with the closing of the actions. In preparation for the meeting, evidence expectation was detailed against each agreed finding within the report and this has been attached below. During the meeting management provided an update of the actions taken subsequent to the audit but no evidence was provided for review. A follow up email was sent and is attached detailed the agreement from the meeting and requirements from the service. To date no further information has been provided.	Report to go to November 2021 Audit Committee - deadline for final papers 10.11.21. Due date aligned with AC papers date to prevent duplication in tracking - 21.10.21.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	Homelessness & temporary Accommodation 21/22- Homelessness levels of accommodation are not monitored over time to ensure adequate temporary accommodation is available.	3236	Agree in part.  A weekly review of temporary accommodation capacity and those individuals'/families likely to move on (leaving temporary accommodation) takes place. Capacity is increased if required; emergency accommodation can be achieved through booking bed and breakfasts through block booking arrangements.  Additional pressures have been observed due to Covid, housing market pressures and the need to increase capacity immediately. Welsh Government Covid Hardship Grant has enabled this as part of the emergency homeless and public health response.  It is not possible to accurately forecast homelessness numbers. Trend analysis prior to Covid19 is not applicable and would deliver limited value due to the significant change the pandemic has had on the landscape.  Achievement of deliverables in line with the Rapid Rehousing Transition Plan is the ultimate aim.  Short term (March 2022) Identification of reasons for refusal of permanent accommodation and action process to manage "unreasonable refusals" to be documented.	M	31-Mar-22		9	No Update Provided	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	Homelessness & Temporary Accommodation 21/22- Management information is not available or unreliable to monitor the achievement of the Homelessness Strategy and policy	3255	<p>The response will be delivered in the medium term. All actions are assigned to the Service manager to be delegated across team.</p> <p>Medium term (June 2022) Introduce management information to:</p> <p>Monitor performance timescales at the various stages in Void Management Process. Information to be timely reviewed to identify and address process impediments/ opportunities for improvement. Provide oversight of all offers for permanent accommodations, those that were declined and the reason for decline.</p> <p>Oversee length of stays in interim accommodation which is being developed in In-Phase. Oversee rent collection activities. Monitor SLA agreement KPIs.</p>	H	30-Jun-22		6	No Update Provided	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
H&C	Homelessness & Temporary Accommodation 21/22- A homelessness/Temporary accommodation policy is not in place.	3234	<p>The response will be delivered in 2 stages –medium and longer term. All actions are assigned to the Service manager to be delegated across team.</p> <p>Medium term (June 2022) Restructure of Housing Support and Homeless Prevention Service and create a specific team for Property Management to take the management of Temporary Accommodation out of the Homeless Team. Restructure has been approved, job descriptions are being devised and recruitment to begin in April 2022.</p> <p>Long Term (Dec 2022) Homelessness Accommodation Policy to be devised which will guide all processes and ensure delivery of all ambitions identified in the soon to be revised Housing Support Programme Strategy which comes in force 1st April 2022.</p>	H	30-Dec-22		0	No Update Provided	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
PE&E	Domestic Energy 22/23- A Contract is not in place with the main contractor who delivers all the energy efficiency works for the council.	3379	<p>A procurement exercise has been completed to identify the contractor to be utilised to deliver the domestic energy work. Outcome of the procurement exercise will be communicated in October and a revised contract will be in place. This will assist with evidence of value for money.</p> <p>Management information to be structured to monitor contract deliverables in line with agreement.</p> <p>2. Management to establish a process to review financial viability of contract provider.</p>	M	31-Dec-22		0	No Update Provided	No Update Provided
PE&E	Domestic Energy 22/23- SLAs in place with the various areas to which DEEP provides services have not been agreed.	3380	A process to be introduced to monitor contracts which are coming up for renewal. All service level agreement to be reviewed and renewed in readiness for the new financial year	M	31-Dec-22		0	No Update Provided	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
PE&E	Domestic Energy 22/23- Management controls not in place to ensure adequate processes, adherence to process and risk management	3381	Introduction of Agile System will facilitate document retention and potential system reporting. Prescriptive process on how to manage the process/information required prior to Agile being implemented. Monthly meeting to be held between DEEP Team Manager and Service Manager with a standard agenda will be introduced and a set of management information with supporting evidence will be presented to review KPI performance, contractual requirements and budget performance and reconciliation. Contract and SLA meetings to be formalised with ToRs, agendas, KPIs and highlight reports presented. Schedule to be produced for all external grant conditions, KPIs, claim dates and milestones.	M	31-Dec-22		0	No Update Provided	No Update Provided
PE&E	Domestic Energy 22/23- The domestic energy budget is not reconciled monthly	3382	Monthly meeting with standard agenda and supporting documents to be held between DEEP team manager and service manager to review: KPI performance Contract oversight reporting Budget reconciliation	M	31-Dec-22		0	No Update Provided	No Update Provided
PE&E	Domestic Energy 22/23- Health and safety risks relating to the delivery have not been documented or mitigated.	3386	A random sample of the efficiencies delivered to be reviewed by the Housing Services team in line with SLA agreement. Evidence of visits and findings to be kept for audit purposes.	M	31-Dec-22		0	No Update Provided	No Update Provided



Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
S&T	21/22 North and Mid Wales Trunk Road Agent (NMWTRA) Income Collection: Annual fixed costs	3248	Agreed Action Review appendices (to SDA 2016 Vol D) to confirm appropriateness of reclaim. Liaise with NMWTRA to ensure fixed cost reclaim is maximised.	M	31-Mar-22	31-Jul-22	9	05 April 2022 11:08: Review of the Appendices has taken place for financial year 2021.22, where some Plant/vehicle costs had been identified as unclaimed, working with our finance contact in NMWTRA we have amended our claim. Review of the fleet vehicle weightings against our contract with Go Plant have been arranged for end of April, this will ensure maximization of the fleet claim against NMWTRA for upcoming years, Appendices are due to start June 2022, in light of this further investigation has been paused to enable focus on our financial year end.	08.04.22 - date revised as per above due to year end constraints within service.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
S&T	21/22 Statutory Training: There is a reliance on local knowledge of a small amount of staff to ensure all operatives are fully trained for their role.	3223	Once the training matrix has been developed (see 3254), the information will be used to help restructure the training spreadsheet (see also 3239). Data protection regulations will be observed in how the spreadsheet will be made available to all relevant managers and supervisors. With these two documents there will be a process for managers and supervisors to show which training is required and which operative has the relevant, up to date skills.	H	30-Apr-22	31-Dec-22	8	<p>Due to staff absence and limited available resource the due date has been extended.</p> <p>The training spreadsheet is in the final stages or re-configuration. This will allow for improved accessible and available training records for staff and operatives.</p> <p>UPDATE 09.11.22 I have attached a copy of new gap analysis that has been developed in response to this action. This document now gives managers and supervisors a clear awareness of what training is needed and what the current training situation is. I have requested to extend the deadline of this action to give me a little more time to complete the documents for all supervisors and managers.</p>	
Schools	Schools Audit 2019/20 - Maes Garmon - Information Asset Register not in place.	2947	The school will arrange for an Information Asset Register to be in place as soon as possible.	M	30-Sep-20	31-Dec-21	27	22.10.21: We were unable to make any contact with David Bridge and decided to find a replacement. We have received some recommendations of other providers from our Primary colleagues and are await	Clarification requested from at GDBR on the document required. No Information Asset Register in place whilst waiting for support.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
Schools	21/22 Schools Risk Based Thematic Review - Elfed High School: Financial Governance	3319	Suggested actions The school uses P2P and authorisation limits are defined and applied within the system.  Ensure that the scheme of delegation includes authorisation limits for the school's finances and delegation. Guidance can be found from the Schools	M	30-Jun-22	14-Oct-22	6	20 September 2022 13:36: This is a new Scheme of Delegation and it has not had Governing Body approval. Full Governors is on Wednesday 28th September 2022 and this is on the agenda.	
Schools	21/22 Schools Thematic Review - Ysgol Derwenfa - The recording of the schools sub-committees	3323	The school will ensure that where decisions are made / agreements obtained within governor sub-committees then a record will be maintained as evidence.	M	30-Sep-22		3	No Update Provided	No Update Provided
Schools	21/22 Schools Thematic Review - Ysgol Derwenfa - Approval of the School Fund Certificate	3327	The school will ensure that the school fund audited certificate and associated documents is shared with the full governing body for scrutiny and this will be evidenced within the committee meeting minutes.	M	30-Sep-22		3	No Update Provided	No Update Provided
Schools	21/22 Schools Thematic Review - Ysgol Derwenfa - Evidence of Budget Monitoring	3338	Minutes will be maintained for finance committee meetings and budget monitoring will be recorded as a standard agenda item.	M	30-Sep-22		3	No Update Provided	No Update Provided
Schools	21/22 Schools Thematic Review - Ysgol Derwenfa - Appointment of External Auditor	3339	The school will ensure that an annual review is undertaken regarding the appointment of an external Auditor for the School Fund account and this review will be evidenced.	M	30-Sep-22		3	No Update Provided	No Update Provided

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
Schools	21/22 Schools Thematic Review - Ysgol Derwenfa - School Fund purchases in line with Constitution.	3364	The school will ensure that all School Fund expenditure is in line with the School Fund Constitution.	M	30-Sep-22		3	No Update Provided	No Update Provided

Tudalen 388

## Appendix F

### High and Medium Priority Actions with a Revised Due Date Six Months Beyond Original Due Date and Not Overdue

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
Tudalen 389	HR	2218	Payroll 2017/18- I-Trent not compliant with data protection and GDPR	M	30-Sep-18	31-Mar-23	13.1.23	The functionality still requires testing, further issues/defects may be found during testing and would need reporting to MHR for their investigation. I have requested 30.04.18 to take into account that possibility.	13.1.23. Recognised that this is in progress but there is still some work to do. SC has asked for the due date to be extended to 31/3/23.  Update 23.3.22: I met with the Systems team again this morning for our monthly progress meeting. Preparations are in place to build and test redaction in a test environment, including reviewing those records we are required to keep longer in relation to safeguarding and running the redaction process - this will be helped by the issues previously found with work undertaken where numbers requested to be redacted didn't match following the process being run. Paul is still in discussion with regards to the need/provision of an additional testing environment and followed that up again today. Update meeting are scheduled to take place up until the end of the year.
	S&T	3118	2020/21- Loss of O license- Management information is not adequate to ensure compliance	H	31-Jul-21	31-Mar-24	05.12.2022	Work continues with recording processes, key contacts, responsibilities and standard documentation, however following key changes to key personnel for the contractor and FCC Fleet completion has been delayed.	05 December 2022: Review of update provided and revised due date of March 2024. Understand the circumstances the service has encountered; however this is a high action and the revised due date keyed does not seem adequate. Will need to speak to PA; unable to close.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
Tudalen 3905			shared to ensure reliance on individuals is removed. Repeat offender reporting to be devised in order to identify and manage underperformance, with compliance checks to be undertaken regularly alongside professional competency checks. Roles and responsibilities to be reviewed, process to be streamlined and automated leading to timely resolution of non-compliance issues, with escalation of any delays in response.						
	2020/21- Loss of O License- Lack of business continuity due to single person dependency	3119	A documented set of procedures to be drafted to document the end to end process which demonstrates compliance with O Licence requirements. This should also set out roles and responsibilities, timescales for completion of the various processes and will ensure the process is embedded across all transport operations. Through the assignment of roles and responsibilities this will assist with the identification of single person dependencies and support service resilience. Compliance checks to be	H	31-Jul-21	31-Mar-24	05.12.2022	Work continues with recording processes, key contacts, responsibilities and standard documentation, however following key changes to key personnel for the contractor and FCC Fleet completion has been delayed.	05 December 2022 07:18: Review of update provided and revised due date of March 2024. Understand the circumstances the service has encountered; however this is a high action and the revised due date keyed does not seem adequate. Will

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
			regular conducted to ensure that the processes are being delivered correctly and in a timely manner. Training to be provided to additional staff in critical roles to ensure business continuity in the event the individual responsible is not available.						
E&Y Tudalen 391	20/21 School Attendance & Exclusions: Formal action plan to support roll out of new service delivery model	3110	Detailed action plan will be developed to support the roll out of the new service model.	M	31-Aug-21	31-Mar-23	13.02.2022	13.09.22: Email asking for the due date to be revised to 31.3.23.	13 September 2022 06:01: The revised service action plan has now been adopted but is being supplemented with a range of policies and practice documents to ensure that schools and parents are aware of the services that are available to support them. A generic schools model Attendance Policy was shared with all schools on 9 9 22 utilizing the revised FCC format expectations. Further documents to highlight the profile of the engagement support services and the revised EOTAS process are due back from translation this week and will be shared with schools and partners in the days ahead This incremental approach ensures that schools have clear documentation that underpins the new service model. These models and policies will be subject to regular review and update.
E&Y	20/21 School Attendance & Exclusion: Maintenance of data around educational setting	3105	Periodic exception reporting will be undertaken from the CAPITA ONE system to identify all children with a recent end date – these records will be reviewed	M	31-Aug-21	31-Mar-23	13.09.2022	13.09.22: As per email t the due date for this action has been revised to 31.03.23.  A number of actions have been undertaken and continue with regard to this	13 September 2022 : The strategic sample and review system has now been implemented and review meetings will take place on a termly basis. Pupils at risk of being lost to the system as a result of CME or NEET status are identified at the earliest

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
Tudalen 392			to ensure new in-county educational settings have been updated where appropriate.					audit target. The LA EOTAS Panel now considers the registration status of all pupils discussed and a new Fresh Strat Coordinator commenced employment within the PRU Service on 1 9 21 to lead on and review all children that are not on a school or PRU register. In addition a Registration Practices Forum has been created that utilizes case studies to discuss and agree practice to ensure that the LA has a uniform understanding. This work is complex and incremental and will continue right throughout the school year.	opportunity to attempt to locate and engage them. Schools based EWO staff now actively look for pupils that are not accounted for in their allocated schools. An example of this new practice took place on 1 9 22 when all Year 7 admissions to FCC Secondary Schools were identified if they had achieved below 85% in their primary school during Year 6. These identified pupils were added to a priority identification list to enable their attendance to be monitored from day one of the new school year.
HR	20/21 Health & Safety and Wellbeing of Employees: Effective Monitoring and Reporting of Working Time	3026	Quarterly reports to be tabled at COT highlighting excessive credit balances on Etarmis / average working hours exceeding Working Time Policy. Caveat to be included highlighting potential data inaccuracies within reports. Individual Chief Officers to determine action to be taken following consideration of reports.	M	31-Dec-21	31-Mar-23	16.01.2023	See follow up notes. Risk not managed.	Email 16.1.23 confirming not content to accept the risk around non compliance with the Working Time Regulations, as such further discussion is required between SC and NC around the roll out of Imperago across the whole organisation.
S&T	21/22 Statutory Training: There is no	3219	The Senior Management team are currently developing a People Management Strategy with HR and the	M	30-Apr-22	31-Mar-23	28.12.2022	The timeline has been extended due to staff absence earlier in the year but the training policy is now being developed and is	



Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
	specific S&T Training Policy		Corporate Training team. A training strategy for S&T will be developed in conjunction with this strategy					entering final draft. The policy will be presented to the Environment and Economy Overview and Scrutiny Committee in September as part of an assurance report relating to the audit findings.	
S&T  Tudalen 393	21/22 Statutory Training: The team are using a spreadsheet as a database, this is possible with small amounts of data but not large	3239	<p>The service acknowledges the training spreadsheet has, due to its size, become a problematic system. Currently the spreadsheet is backed up weekly to ensure the safety of the data. The Compliance Manager is also concerned about the free entry on the spreadsheet which allows for errors to be more easily introduced.</p> <p>In the short term the training spreadsheet will be restructured in conjunction with the development of the training matrix to make it more stable and easier to use and to obtain management information from.</p> <p>In the longer term a business case will be produced and presented for the purchase and introduction of a staff</p>	M	30-Apr-22	30-Apr-23	11.01.2023	<p>Due to staff absence and limited available recourse the due date has been extended.</p> <p>The training spreadsheet is in the final stage of re-configuration so that it is more stable, accessible and 'user-friendly'.</p> <p>The action has been progressed with a business case presented to Digital Strategy Board for a Training Management System, expressions of interest from relevant suppliers has been received and a collaborative approach across the Council is being explored.</p> <p>Future progression of this action is to look towards an in-house system which aligns to the Social Services training management system developed by FCC. the expected timeline for starting this piece of work is November 2022.</p>	Upon appointment, the Fleet Manager was tasked with familiarising himself with the service and addressing the agreed actions and recommendations of the audit to map out the processes that required documenting and capture the mechanisms of the service.

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
			training management database.						
CEX  Tudalen 394	21/22 CCTV (Cross Cutting): Third party partnerships	3201	<p>Chief Officer, Housing &amp; Assets to table a COT report to facilitate discussion around oversight and control of CCTV.</p> <p>Consideration to be given to:</p> <ul style="list-style-type: none"> <li>Overarching responsibility for CCTV camera systems;</li> <li>Development of a live asset register of all CCTV cameras to be used as a basis for ensuring Council wide regulatory compliance);</li> <li>Oversight and reporting of cross Council compliance with the Surveillance Camera Code;</li> <li>Oversight and reporting of cross Council completion of Data Protection Impact Assessments (DPIA);</li> <li>Appropriateness of protocols in place (contracts / SLA's, etc.) to support partnership arrangements with third parties.</li> <li>Control around the purchasing of CCTV cameras.</li> </ul> <p>the Public Realm CCTV Manager will continue to provide cross portfolio operational support to officers responsible for</p>	M	30-Sep-21	30-Jun-23	13.01.2023	<p>Revised due date due to new Service Manager being appointed.</p> <p>4.10.21: Need to obtain third party information relating to the Alltami CCTV system. Monitored remotely by Crime Prevention Ltd.</p>	<p>Due date revised to June to allow the new Service Manager to understand the actions required.</p> <p>13 October 2021</p>

Portfolio	Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status
			CCTV to ensure compliance with the Protection of Freedoms Act 2012.						

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# Investigation Update

# Appendix G

Ref	Date Referred	Investigation Details
<b>1. New Referrals</b>		
1.1	22.10.2022	Anonymous allegation received regarding a contract
1.2	31.10.2022	Referral from management relating to a loss from safe (Est £1882.94 + personal items)
<b>2. Reported to Previous Committees and still being Investigated</b>		
2.1	24.05.2022	Anonymous allegation over planning permission / building regulations. Investigation underway
<b>3. Investigation Completed</b>		
3.1	An anonymous whistleblowing referral re has been received regarding HR matters within a service. This has referred back to HR and Management for action. No further action for Internal Audit to address.	

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Internal Audit Performance Indicators

Appendix H

Performance Measure	21/22	Qtr1	Qtr2	Qtr 3	Qtr 4	Target	RAG Rating	
Audits completed within planned time	76%	62%	67%	88%	-	80%	G	↑
Average number of days from end of fieldwork to debrief meeting	15	16	25	15	-	20	G	↑
Average number of days from debrief meeting to the issue of draft report	4	1	0	1	-	5	G	↓
Days for departments to return draft reports	7	6	5	0	-	7	G	↑
Average number of days from response to issue of final report	1	1	1	1	-	2	G	→
Total days from end of fieldwork to issue of final report	32	25	10	18	-	34	G	↓
Productive audit days	76%	68%	62%	78%	-	75%	G	↑
Client questionnaires responses as satisfied	100%	100%	100%	100%	-	95%	G	→
Return of Client Satisfaction Questionnaires to date	71%	100%	100%	67%	-	80%	A	↓

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-Key					
<b>R</b>	Target Not Achieved	<b>A</b>	With-in 20% of Target	<b>G</b>	Target Achieved
<b>↑</b>	Improving Trend	<b>→</b>	-No Change	<b>↓</b>	Worsening Trend

Internal Audit Operational Plan 2021/22 Carry Forward

Appendix I

Audit – 2021/22	Priority	Status of Work	Supporting Narrative
<b>Streetscene &amp; Transportation</b>			
Highways Structures (Bridges) (2 <sup>nd</sup> Stage review)	H	Report with Management	

Internal Audit Operational Plan 2022/23

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Audit – 2022/23	Priority	Status of Work	Supporting Narrative
<b>Corporate</b>			
Climate Change & Environmental Sustainability / ESG (Environmental Social Governance)	H	In Progress	
Supply and Demand Risk and Shocks	H	Complete	
Social Value / Community Benefits	M	Defer	
Core Funding 3 <sup>rd</sup> Sector	M	In Progress	
Section 106 Agreements (cross cutting)	M	Defer	Currently under management review. Defer until 23/24
Use of Consultants	M	Defer	
<b>Education &amp; Youth</b>			
Schools Risk Based Thematic Reviews	H	Complete / In Progress	Three schools
School Funds	H	In Progress	
After School Club Salary Payments	H	No Longer Relevant	
Integrated Youth Service	M		Quarter 4
Scheme for Financing Schools / School Financial Regulations	M	Complete	
Drury Primary School Follow Up	New	Complete	
Schools Control Risk Self-Assessment (CRSA)	Annual	In Progress	
Education Grants – Education Improvement Grant (EIG)	Annual	No Longer Relevant	
<b>Governance</b>			
Protection against Ransomware Attack	H	In Progress	
Corporate Debt Management (including bad debt provision and write offs)	H	Complete	

Audit – 2022/23	Priority	Status of Work	Supporting Narrative
Information Technology Governance	H	Complete	
Corporate Complaints	H	Report With Management	
Enforcement Agents / Bailiffs	M	Complete	
Procurement Legal Advice	M	Report With Management	
Cyber Security & Data Security	M		Quarter 4
Data Protection (GDPR)	Annual	Defer	
<b>Housing &amp; Assets</b>			
Housing Rent & Arrears	H	Complete	
Maes Gwern Follow Up	Follow Up	Defer until Quarter 1	Based on presentation to GAC in November
Carelink / Telecare	H	In Progress	
Housing Demand	H	In Progress	
Complaints (Housing and Assets)	M	In Progress	
Temporary Accommodation	M		Quarter 4
Capital Components	M	Defer	
Supporting People Grant	Annual	Complete	
<b>People &amp; Resources</b>			
MFTS & supporting Method Statements / Budget Challenge	H	In Progress	
Housing Revenue Account	H	Defer	
Main Accounting – General Ledger	H	In Progress	
Financial Management Accounting within Portfolios	H	Complete	
Compliance with the CIPFA FM Code	M	In Progress	
Corporate Grants (replacement of AW work)	Annual	In Progress	
Pay Modelling	H	Complete	
Payroll	Biennial	Complete	
Supply Teachers (previously E Teach)	M	Defer	
Learning & Development	M	Defer	
Apprenticeships / Apprentice Levy	M	Defer	
<b>Planning, Environment &amp; Economy</b>			
Flood Alleviation Scheme	H	Complete	
Houses of Multiple Occupancy	H		Quarter 4
Corporate Health & Safety	H	Defer	

Audit – 2022/23	Priority	Status of Work	Supporting Narrative
Domestic Energy	H	Complete	
Planning – Prioritisation & Activities (including Enforcement)	H		Quarter 4
Carbon Emissions – Data Collection methodology	M	Defer	Combined with Climate Change & ESG Audit
<b>Social Services</b>			
Placements	H	Complete	
Safeguarding	H	In Progress	
Childcare Development	M		Quarter 4
Deputyship	M		Quarter 4
Single Point of Access (SPOA)	M	Defer	
<b>Streetscene &amp; Transportation</b>			
Integrated Transport Unit	H	Complete	
Loss of O Licence	H	Draft Report	
Regional Transport / Transport Operator Supply Chain Risks	H	In Progress	
Recycling Targets	M	Defer	
Complaints Handling	M	In Progress	
Parc Adfer	Annual		Quarter 4
<b>External</b>			
Clwyd Pension Fund - Investment, Management & Accounting	Biennial	In Progress	
SLA - Aura - 10 days per annum	Annual	In Progress	Quarter 4
SLA - NEWydd - 10 days per annum	Annual	Draft Report	

### Glossary

<b>Risk Based Audits</b>	Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.
<b>Annual (System Based) Audits</b>	Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
<b>Advice &amp; Consultancy</b>	Participation in various projects and developments in order to ensure that controls are in place.
<b>VFM (Value For Money)</b>	Audits examining the efficiency, effectiveness and economy of the area under review.
<b>Follow Up</b>	Audits to follow up actions from previous reviews.
<b>New to Plan</b>	Audits added to the plan at the request of management. <b>All new audits to the plan are highlighted in red.</b>
<b>Audits to be Deferred</b>	Medium priority audits deferred. <b>These audits are highlighted in green within the plan.</b>



# Eitem ar gyfer y Rhaglen 10



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 25 <sup>th</sup> January 2023
<b>Report Subject</b>	Action Tracking
<b>Report Author</b>	Internal Audit, Performance and Risk Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The report shows the action points from previous Governance and Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

### RECOMMENDATIONS

1	The Committee is requested to accept the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE ACTION TRACKING REPORT</b>
1.01	In previous meetings, requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.  Full action tracking details within Appendix A.
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Action owners contacted to provide an update on their actions.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Action Points.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit, Performance and Risk Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	None.

**GOVERNANCE AND AUDIT COMMITTEE – ACTION SHEET**Presented Monday 25<sup>th</sup> January 2023

27 <sup>th</sup> January 2021				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
25.	IA Progress Report	To circulate an update on the position on school funds.	L Brownbill	This will be provided to the committee once the school review on school funds has been completed during quarter 4 of 2022/23.

24 <sup>th</sup> November 2021				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
39.	Governance and Audit Committee Self-Assessment	That preparations for the Annual Report should incorporate a review of the Committee's Terms of Reference to ensure that the remit was being met in full.	L Brownbill	This has been undertaken as part of the Committees assessment of their effectiveness.
39.	Governance and Audit Committee Self-Assessment	That the outcomes and training requirements identified in the action plan from the self-assessment be noted and progressed.	L Brownbill	A training programme has been developed and updated and will be reviewed on a regular basis.

**14<sup>th</sup> March 2022**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
59.	External Regulation Assurance	To include progress on external actions in the Annual Report and AGS process, and to include an appendix to future External Regulation Reports.	L Brownbill	Process updated for Internal Audit Annual Report, AGS and Reporting on External Regulations.

**6<sup>th</sup> June 2022**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
11.	Drury PS – Financial Management Arrangements	A follow up report to be scheduled for January 2023	L Brownbill	A report on the progress made by Drury PS will be presented to GAC in January 2023

**28<sup>th</sup> September 2022**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
26.	AW Review of Commissioning Older People's Care Home Placements by NW Councils and BCUHB	<p>That the Committee notes the agreed actions in the Management Response to address these recommendations and receives regular updates on the implementation of the actions going forward.</p> <p>That the updates include any actions by Welsh Government, with timescales, as part of the national report by Audit Wales.</p>	L Brownbill Audit Wales	The service will attend March committee to provide an update on the progress made against the findings within the report.

14<sup>th</sup> November 2022

Tudalen 405

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
36.	Treasury Mgt mid-year review 2022/23 and Q2 update	That the Committee notes the draft Treasury Management Mid-Year Report 2022/23 and confirms the following matters to be drawn to the attention of Cabinet at its meeting in December 2022: <ul style="list-style-type: none"> <li>To note compliance with the Council's approved prudential indicators;</li> <li>Key considerations informing borrowing decisions; and</li> <li>Stability of PWLB rates which had been subject to fluctuation.</li> </ul>	G Ferguson / C Taylor	Cabinet considered and approved the report on 20 December 2022
36.	Treasury Mgt mid-year review 2022/23 and Q2 update	To share details of credit agency ratings for each of the Council's investment counterparties with the Committee.	G Ferguson / C Taylor	Members were provided with this information on 8 December 2022
37.	Asset Disposal and Capital Receipts generated 2021/22	To share further details of disposals in Appendix 1 with the Committee, on a confidential basis.	N Cockerton / C Taylor	Members were provided with this information on 8 December 2022
38.	Financial Procedure Rules	To respond to the Committee on Cllr Banks' questions: <ul style="list-style-type: none"> <li>Clarify 'true copy' on p.41(h) of the FPRs</li> <li>Clarify the change to (d) under Key Controls on p.38</li> </ul>	S Dulson	Members were provided with a response to this enquiry on 22 November 2022
39.	Risk Management Framework	To update the framework document to include (a) the Committee referring red risk actions to OSCs, and (b) the inclusion	L Brownbill	The Risk Management framework has been updated, the audit action closed

		of partnership risks being fed into InPhase.		down and made available of the Council's Infonet.
39.	Risk Management Framework	To share dashboard information with the Committee at the January meeting.	L Brownbill	Due to a lack of technical resources within the team this has been moved to March committee.

# Eitem ar gyfer y Rhaglen 11



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 25 <sup>th</sup> January 2023
<b>Report Subject</b>	Forward Work Programme
<b>Report Author</b>	Internal Audit, Performance and Risk Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The Governance and Audit Committee presents an opportunity for Members to determine the Forward Work Programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme, Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for Governance and Audit Committee.

### RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit, Performance and Risk Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE FORWARD WORK PROGRAMME</b>
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.

1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> <li>1. Will the review contribute to the Council's priorities and/or objectives?</li> <li>2. Is it an area of major change or risk?</li> <li>3. Are there issues of concern in governance, risk management or internal control?</li> <li>4. Is it relevant to the financial statements or financial affairs of the Council?</li> <li>5. Is there new government guidance or legislation?</li> <li>6. Is it prompted by the work carried out by Regulators/Internal Audit?</li> </ol>
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1.03 Following the Committee meeting in November there has been a need to undertake agenda management due to the number of reports due in January and March. This has been consulted with the Chair and Vice Chair of the Committee. The movement within the forward work programme is listed below.

Report	Reason for Movement	Original Date	New Report Date
Governance and Audit Committee Self-Assessment	To manage agenda - The committee has already met to assess their effectiveness. This report was to bring this together and summarise the outcomes.	January 2023	March 2023
Annual Governance Statement Mid-Year Update	To manage agenda - This is an update report	January 2023	March 2023
Corporate Self-Assessment	To manage agenda and to allow this to be presented at Cabinet first.	January 2023	March 2023
Risk Management Update	To manage agenda - Due to the reduction in technical resources this report has been moved back to March 2023	Jan 2023	March 2023
Internal Audit Charter	To manage agenda - Very little changes made.	Jan 2023	June 2023
Public Sector Internal Audit Standards Compliance	Annual internal review due for 22/23 however external review already undertaken and reported to committee for 22/23	March 2023	March 2024
Cyber Security Update	At the request of Audit Wales to present to Governance and Audit Committee in a closed private session	N/A	June 2023

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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2.01	None as a result of this report.
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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Publication of this report constitutes consultation.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A - Draft Forward Work Programme.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill Internal Audit, Performance and Risk Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Governance</b> - The system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Risk Management</b> - The process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p><b>Internal Control</b> - Appropriate procedures and processes are in place to mitigate any risk which may prevent the organisation from achieving its objectives and service delivery.</p> <p><b>Financial Management</b> - The planning, organising, directing and control of the financial activities of the Council to ensure sufficient resources are available to delivery its intended outcomes.</p> <p><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</p>

	whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.
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Area	Wednesday 25.01.2023	Wednesday 22.03.2023	June 2023	July 2023	September 2023	November 2023
Pre-Committee Training 9.30-10.00		Annual Governance Statement	Draft Statement of Accounts			
Audit Wales (AW)		Annual Audit Summary 2021/22 Audit Plan AW				
Internal Audit		Internal Audit Strategic Plan 2023/2026	Internal Audit Annual Report 2022/23			
	Internal Audit Progress Report 2022/23	Internal Audit Progress Report 2022/23	Internal Audit Progress Report 2023/24		Internal Audit Progress Report 2023/24	
	Follow Up Report – Drury Primary School – PART 2		Internal Audit Charter			
Governance & Risk Management	Code of Corporate Governance	Annual Report on External Inspections 2021	Draft Annual Governance Statement			
		GAC Self-Assessment				Governance and Audit Committee Annual Report
		Annual Governance Statement 21/22 Mid-Year review				
		Risk Management Update				
	GAC Action Tracking Forward Work Programme	GAC Action Tracking Forward Work Programme	GAC Action Tracking Forward Work Programme		GAC Action Tracking Forward Work Programme	GAC Action Tracking Forward Work Programme
Performance	Corporate Complaints and Compliments Annual Report 2021/22					
	Public Service Ombudsman for Wales Annual Letter					
		Corporate Self-Assessment Draft Report				Corporate Self-Assessment Draft Report
Finance	Statement of Accounts 2021/22		Certification of Grants and Returns Report (AW)	Draft Statement of Accounts 2022/23	School Reserves – Annual Report on School Balances	
					Statement of Accounts 2022/23	
				Supp Financial Information to Draft Statement of Accounts 2022/23		Asset Disposals and Capital Receipts
Treasury Management	Treasury Management 2022/23 Q3 Update and 2023/24 Strategy	Treasury Management 2022/23 Q4 Update		Treasury Management 2023/24 Q1 Update and Annual Report 2022/23		Treasury Management Q2 2022/23 – Mid Year Report
Senior Officer Updates Op Matters / Key Risks / Other)	Climate Change and Decarbonisation Report	Commissioning Older People's Care Home Placements – Update				
Meeting Following GAC		Private Meeting with Committee, Internal and External Audit	Cyber Security Update			

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**Matters to be address outside of formal Committee meetings during 2022/23**

<p><b>Governance and Audit Committee</b></p> <ul style="list-style-type: none"> <li>Budget Workshops for members – 2023 TBC</li> <li>Annual Self-Assessment Workshop – October 2023</li> <li>Treasury Management Training – December 2022</li> <li>AGS Workshop – April / May 2023</li> <li>Private Meeting (AW and Internal Audit) – March 2023</li> <li>Training and Development sessions - Ongoing</li> </ul>	<p><b>General</b></p> <ul style="list-style-type: none"> <li>Correspondence, updates to actions and reports for information purposes</li> <li>Time sensitive consultation</li> <li>In person / video meetings as and when necessary</li> </ul>
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Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 12

Yn rhinwedd paragraff(au) 12, 14 of Part 4 of Schedule 12A  
o Ddeddf Llywodraeth Leol 1972.

Dogfen Gyfyngedig - Ni ddylid ei chyhoeddi

Mae'r dudalen hon yn wag yn bwrpasol

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