

# STATEMENT OF ACCOUNTS

2019-20





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# NARRATIVE REPORT

## INTRODUCTION

This narrative report summarises Flintshire County Council's Statement of Accounts for 2019/20 and details income and expenditure on service provision for the financial year 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 and the value of the Council's assets and liabilities as at 31<sup>st</sup> March 2020. The Group Accounts included incorporate the Council's Financial Statements with those of its wholly owned subsidiaries North East Wales Homes Ltd (NEW Homes), Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd.

The Accounts have been prepared during the national emergency situation arising from the global COVID-19 pandemic and reference will be made to any known impacts of this as required within the document. As required, the Accounts have been prepared in accordance with the 2019/20 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. Despite the challenges arising from the global pandemic the Council has prepared and submitted the Accounts to the Council's External Auditors by the legislative deadline of 15<sup>th</sup> June 2020.

The Council set its budget for the 2019/20 financial year in the context of a continuing reduction in public sector funding and rising demand for its services. Despite facing significant challenges, the Council managed to achieve 90% of its budgeted efficiencies and was able to limit spending to £439k 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 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.

In addition to meeting the statutory deadline for producing the Accounts, the finance service also 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, therefore, 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 2020.

## 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 2019/20 set the Council's priorities for the year, identifying the areas where service change or focus was needed. The Plan has six themes and a number of supporting priorities dependent upon the focus of attention for the year. 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.

Public reports which measure our progress against this document are published quarterly, with the outturn for the year scheduled to be reported to Cabinet in July 2020. Due to the impact of the COVID-19 pandemic the Council is still in the process of updating year end data and the end of year report is scheduled to be published in October 2020.

## NARRATIVE REPORT

### FINANCIAL PERFORMANCE DURING THE YEAR

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

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

Approximately 70% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2019/20, there was a decrease in funding of 0.3% which was combined with significant cost pressures from factors outside of the Council's control such as policy directions or new legislation from UK and Welsh Government. These unfunded pressures are expected to be met by the Council without extra funds being set aside by Government and include; inflation, demographic growth, additional workforce cost pressures and a general increase in demand for Council services. 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 £913k of new efficiencies in our 2019/20 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 2019/20 was set at £271,350k and was approved by Council on 19<sup>th</sup> February 2019. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 16<sup>th</sup> June 2020.

The budget strategy for 2019/20 was based on an organisational strategy to reduce costs 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.

Total net expenditure for 2019/20 amounted to £271,319k against the budget of £271,350k.

## NARRATIVE REPORT

	2019/20 Budget £000	2019/20 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,760	2,529	(231)
People and Resources	4,439	4,475	36
Governance	9,171	9,003	(168)
	<u>16,370</u>	<u>16,007</u>	<u>(363)</u>
Social Services	71,244	72,122	878
Housing and Assets	15,766	15,217	(549)
Streetscene and Transportation	30,441	32,063	1,622
Planning, Environment & Economy	5,897	5,929	32
Education and Youth	104,222	104,230	8
Strategic Programmes	4,678	4,678	0
<b>Net expenditure on services</b>	<b>248,618</b>	<b>250,246</b>	<b>1,628</b>
Central loans and investment account	12,388	11,803	(585)
Central and Corporate Finance	12,565	11,490	(1,074)
<b>Total net expenditure</b>	<b>273,571</b>	<b>273,540</b>	<b>(31)</b>
Contribution from reserves	(2,221)	(2,221)	0
<b>Budget requirement</b>	<b>271,350</b>	<b>271,319</b>	<b>(31)</b>
<b>Financed by</b>			
Council tax (net of community council precepts expenditure)	82,369	82,777	(408)
General grants	139,276	139,276	0
Non-domestic rates redistribution	49,704	49,704	0
<b>Total resources</b>	<b>271,350</b>	<b>271,758</b>	<b>(408)</b>
<b>Net variance - (underspend)</b>	<b>0</b>	<b>(439)</b>	<b>(439)</b>

The underspend of £31k, increased to £439k by way of additional Council Tax income of £408k, combined with other agreed funding transfers to produce year-end Council fund revenue reserves of £11,025k.

## NARRATIVE REPORT

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

	2019/20 Budget £000	2019/20 Actual £000	Variance £000
Estate Management	1,707	1,661	(47)
Landlord Services	1,429	1,408	(22)
Repairs & Maintenance	8,560	7,850	(710)
HRA Projects	120	143	23
Finance & Support	1,170	1,163	(7)
Revenue contributions to fund Capital Expenditure	13,717	14,776	1,059
<b>Net expenditure on services</b>	<b>26,704</b>	<b>27,000</b>	<b>296</b>
Central loans and investment account	8,380	7,719	(661)
Support Services	1,191	1,188	(3)
<b>Total net expenditure</b>	<b>36,275</b>	<b>35,907</b>	<b>(368)</b>
Contribution from reserves	239	668	429
<b>Budget requirement</b>	<b>36,514</b>	<b>36,575</b>	<b>61</b>
<b>Financed by</b>			
Rents	35,444	35,452	(8)
Grants and Other Income	1,070	1,123	(53)
<b>Total resources</b>	<b>36,514</b>	<b>36,575</b>	<b>(61)</b>
<b>Net variance</b>	<b>0</b>	<b>0</b>	<b>0</b>

2019/20 was the 5<sup>th</sup> year of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard (WHQS) which is in part funded by revenue contributions. The planned WHQS capital programme increased during the year. The increased expenditure was mitigated by underspends on other budget headings. A contribution of £668k was made to HRA reserves bringing the total HRA reserves as at 31<sup>st</sup> March 2020 to £2,889k.

Flintshire County Council is taking a proactive approach to monitoring the impact of the COVID-19 pandemic on the loss of Housing Rent income. It is hoped that the early intervention and support being offered to tenants by the Council will help to keep arrears cases to a minimum, with those customers who are experiencing difficulties being signposted to the various routes of support that are available to them. The HRA maintains a prudent level of reserves and a Bad Debt Provision which should be sufficient to mitigate any losses in 2020/21.

### 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 2019/20 Capital Programme was approved in the sum of £61,959k (Housing Revenue Account £34,208k and Council Fund £27,751k); this figure increased during the course of the year to a final programme total of £71,394k, (Housing Revenue Account £29,783k and Council Fund £41,611k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 16<sup>th</sup> June 2020.



## NARRATIVE REPORT

Expenditure incurred is set out in the table below presented on the basis of those '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 works to Connah's Quay High School and the amalgamation of schools in Penyffordd.

	<b>2020</b>
	<b>£000</b>
Education	12,457
Social services	2,666
Transport	6,178
Housing	35,407
Libraries, culture and heritage	1,226
Agriculture and fisheries *	35
Sport and recreation	594
Other environmental services	4,450
<b>Outturn</b>	<b>63,013</b>

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

The programme was financed as follows -

	<b>2020</b>
	<b>£000</b>
Supported borrowing	4,094
Other borrowing (including Salix loans)	12,774
Capital receipts	236
Capital grants and contributions	30,603
Capital reserves/capital expenditure funded from revenue account	15,306
<b>Core financing</b>	<b>63,013</b>

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 2020/21 capital programme. The Council will closely monitor and consider the impacts of the delays on expenditure and available financing throughout 2020/21 and beyond.

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

The Council has a prudent policy of allocating its own capital receipts to fund capital projects only when receipts are actually received rather than when it is anticipated the receipt will be received, and this position continues to be the case. The pandemic may lead to a delay in obtaining capital receipts as the timing of these receipts are subject to market forces outside of the Council's control. This will not impact the funding position of the three year programme set in January 2020 running from 2020/21 – 2022/23 as no allowance has been made for receipts not yet received. It may impact by limiting funding for future schemes.

## NARRATIVE REPORT

### Capitalisation Direction – Mockingbird Family Model

The Council plans to transform its Fostering Service to meet the placement needs of looked after children and avoid the escalating costs of external care provision through a Mockingbird Family Model. The model replicates an 'extended family' around children and young people, promoting their sense of belonging and preventing placements breaking down. The costs of transforming the service gradually over a 3 year period will be funded by an interest free 'innovate to save loan' from Welsh Government which will be repaid from savings generated as a result. During the year £27k 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 will start to be drawn down in 2020/21.

### Strategic Housing and Regeneration Programme (SHARP)

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

During the year, the Council House building programme continued, all funded through the HRA. A total of 23 new homes were completed at Penyffordd (Holywell), 15 at the former depot site at Dobshell and 12 at Garden City, Deeside where Innovative Housing Grant was awarded. Total costs during the year equated to £5,576k (included within the housing figure in the Capital Outturn above). Planned works for 2020/21 include 41 properties at Nant Y Gro, due to start on site in June 2020 and 30 properties in Mostyn, subject to planning consent.

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes (NEW Homes) in partnership with the Council. NEW Homes currently owns and manages 115 units across Flintshire. These are made up of a combination of new build schemes delivered through the Council's SHARP and properties acquired from developers through Section 106 agreements.

During the year the NEW Homes Board approved the development and purchase of 28 new affordable homes for rent in Saltney, Oakenholt, Bryn y Baal and Penyffordd (Buckley), with further schemes being considered. Following a thorough appraisal of capital funding options available the Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council has approved loans of up to £30,000k, in addition to a previous loan of £7,530k granted, of which £2,879k was drawn down during the year.

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

### Borrowing

The Council undertook £17,500k of long term borrowing from the Public Works Loan Board (PWLB) during 2019/20 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 £279,597k includes, the sum of £3,822k relating to interest free loans from Salix Finance Ltd, an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings, and loans totaling £860k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme.

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

## NARRATIVE REPORT

### Financial Position at 31<sup>st</sup> March 2020

#### 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 2020.

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.

	2020	Net	Other	2019
	£000	Underspend	£000	£000
		£000		
Council fund (unearmarked) balance	11,025	439	(3,434)	14,020
Earmarked council fund reserves	13,181	0	1,202	11,979
Locally managed schools	112	0	(1,223)	1,335
Housing Revenue Account reserves	2,889	668	0	2,221
<b>Total revenue reserves</b>	<b>27,207</b>	<b>1,107</b>	<b>(3,455)</b>	<b>29,555</b>

The Council has a policy of maintaining a base level of reserves of £5.8m 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 £5.8m, 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, the Council ringfenced £3m of the contingency reserve to provide for the potential impacts of additional costs and losses of income arising from the pandemic. It is anticipated that some of the financial impacts will be funded by national emergency grant funding streams.

#### 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, 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 investments are set by reference to the Council's Medium Term Financial Plan and cash flow forecast in the Council's Treasury Management Strategy. The cash flow forecast is reviewed daily for investing purposes and weekly and monthly for borrowing purposes.

The pandemic is expected to initially have a significant impact on the Council's cash flow position with additional high level volumes of government grants needing to be paid to businesses quickly, increased service costs from providing additional services and a reduction in income from Council Tax, Business Rates and from services. This area will be closely monitored in the new financial year 2020/21.

The Council will work 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.

## NARRATIVE REPORT

### Pension Liability

The pension deficit recorded in the balance sheet of £389,900k has decreased by £17,845k during the year, as a result of changes to the financial assumptions used by the pension fund Actuary. The main changes in financial assumptions relate to changes in the mortality rate, a reduction in the assumption of the level of inflation, and assumptions in relation to pay constraint in the public sector. These assumptions are determined by the Actuary and reflect their view of the market conditions at the balance sheet date.

A recent judgement called the McCloud judgement found that some transitional protections granted to members in response to changes in the scheme were unlawful. An estimated impact on the Council's pension deficit was included in the Council's accounts in 2018/19, and any changes to the estimated impact in 2019/20 have been included within the overall changes in the liabilities from year to year.

The potential impact of a judgement on Guaranteed Minimum Pension which requires a minimum level of pension to be paid some members of the pension scheme has been included for the first time as a past service cost in these accounts, in so far as it is currently expected to affect Local Government Pension Scheme (LGPS) employers.

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 42 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 £65,750k (£58,992k as at 31st March 2019).

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

### Revaluation of Non-Current Assets

All non-current assets must be revalued every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year and during 2019/20 (the fifth year of the current cycle, commencing 1<sup>st</sup> April 2015) 29% of operational non-dwelling assets were revalued. The exception to this arrangement is Council Dwellings which were all valued in 2015/16.

The Council anticipates that there will be an economic downturn as a result of the pandemic which will impact on various property markets. At this time it is too early to say what the overall impacts on property markets will be. Government restrictions on movement occurred so close to the year-end it is very unlikely that impacts would be felt by the balance sheet date, markets were effectively paused and therefore it is difficult to gather any data / evidence at the balance sheet date. The impacts are likely to be after the balance sheet date.

The majority of the Council's Non-Current Assets are operational assets used for service delivery which are valued at existing use and are therefore not expected to be particularly adversely affected in any case.

## NARRATIVE REPORT

### FINANCIAL OUTLOOK FOR THE COUNCIL

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

It is clear that the current financial outlook for the Council, in terms of Welsh Government funding and support for both Revenue and Capital expenditure, is uncertain in the medium term. The Council also expects to see increasing demand for many of its services and the pandemic significantly increases this uncertainty.

The Council's response to the pandemic was to set up an internal command structure led by an Emergency Response Management Team (Gold Command) supported by a number of Silver Tactical Groups including a specific one for Finance. The Finance Group has a key role in ensuring that all financial impacts are captured, monitored and reported and that any appropriate claims for reimbursement are made from National funding announcements.

#### Emergency Grant Funding

To date there have been four significant announcements in Wales that will provide funding to meet the financial impacts of the emergency situation, namely:

- COVID-19 Hardship Fund of £30m for various general costs for the period April – June 2020
- COVID-19 Hardship Fund for Social Care (Adults) of £40m for the period April – May 2020
- COVID-19 Hardship Fund for Free School Meals of £40m for the period April – August 2020
- COVID-19 Income loss funding of £78m – details to be confirmed

The Council responded to support local businesses by ensuring Retail Rate Reliefs and Business Support Grants funded by Welsh Government were awarded quickly. To date the Council has made business support grant payments of £29m and applied rate relief of £15m. Deferments of rate repayments were also agreed on a case-by-case basis to support larger businesses and this will result in short term cash-flow financial implications for the Council.

It is too early to know what the overall financial impact will be on the Council although all financial risks are included within the recovery plan for the Council and will need to be a key component of the review of the Council's MTFS which is being undertaken over the summer.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Council has a comprehensive risk management policy and strategy. All the priority areas within the Council Plan identify the risks which may prevent or hinder successful delivery of our aims. These risks are assessed and then tracked throughout the year on a minimum quarterly basis. 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 Audit Committee receives a summary of the Council's strategic risks at both mid-year and end of year.

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

Financial risks include the availability of funding to ensure the sustainability of the Council and its subsidiaries such as NEW Homes and Newydd and partner organisations such as Aura Leisure Libraries and Community Asset Transfers, as well as Council services such as the Theatre due to the income they have lost due to the need to close throughout the pandemic.

## **NARRATIVE REPORT**

### **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.

The Accounts and Audit (Wales) Regulations 2018 came into force on 14<sup>th</sup> March 2018. The regulations confirmed the new timetables for the publishing of statements of accounts in Wales. In 2018/19 the deadline for certification by the Section 151 Officer was brought forward to 15<sup>th</sup> June 2020, and for 2020/21 will be brought forward to 31<sup>st</sup> May 2020. The Council is actively preparing for having to produce its accounts earlier in conjunction with its external auditors.

### **CHANGE IN ACCOUNTING POLICIES**

Minor changes to accounting policies have been made during 2019/20 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 available on accounts and budgets available on request from the Corporate Finance Manager, Flintshire County Council, County Hall, Mold, CH7 6NA.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE COUNCIL'S RESPONSIBILITIES

The Council is required to :-

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

**Signed :**

**Cllr Marion Bateman  
Chair to the County Council**

**Date :**

### THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer has also :-

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

The statement of accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2020, and its income and expenditure for the year then ended.

**Signed :**



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

**Date :**

12th June 2020

## EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31<sup>st</sup> March 2020

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.

2019/20	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,529	9	2,538	60	2,598
Education & Youth	104,230	1,524	105,754	25,293	131,047
Governance	8,595	(350)	8,245	1,424	9,669
Housing & Assets	15,217	278	15,495	(6,926)	8,569
People & Resources	4,475	11	4,486	211	4,697
Planning, Environment & Economy	5,929	(119)	5,810	699	6,509
Social Services	72,122	141	72,263	1,451	73,714
Strategic Programmes	4,678	2	4,680	3,338	8,018
Streetscene & Transportation	32,063	(189)	31,874	6,489	38,363
Central & Corporate Finance	21,073	2,218	23,291	(10,495)	12,796
Housing Revenue Account	(844)	176	(668)	11,653	10,985
Clwyd Theatr Cymru	0	(70)	(70)	91	21
<b>Cost of services</b>	<b>270,067</b>	<b>3,631</b>	<b>273,698</b>	<b>33,288</b>	<b>306,986</b>
Other Income and Expenditure	(271,350)	0	(271,350)	11,762	(259,588)
<b>(Surplus)/deficit on the provision of services</b>	<b>(1,283)</b>	<b>3,631</b>	<b>2,348</b>	<b>45,050</b>	<b>47,398</b>
<b>Opening Council Fund / HRA Reserves</b>			29,555		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(3,017)		
Housing Revenue Account (HRA)			669		
<b>Closing Council Fund / HRA Reserves</b>			<b>27,207</b>		
<b>2018/19</b>					
	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,554	(17)	2,537	22	2,559
Education & Youth	101,625	443	102,068	3,366	105,434
Governance	7,963	211	8,174	1,551	9,725
Housing & Assets	14,499	997	15,497	(2,998)	12,499
People & Resources	4,387	(66)	4,321	71	4,392
Planning, Environment & Economy	5,589	117	5,706	362	6,068
Social Services	69,324	(65)	69,259	660	69,919
Strategic Programmes	4,179	41	4,220	6,105	10,325
Streetscene & Transportation	31,423	718	32,141	5,627	37,768
Central & Corporate Finance	22,178	(611)	21,566	(6,774)	14,792
Housing Revenue Account	(49)	(254)	(303)	8,984	8,681
Clwyd Theatr Cymru	0	58	58	32	90
<b>Cost of services</b>	<b>263,672</b>	<b>1,572</b>	<b>265,244</b>	<b>17,008</b>	<b>282,252</b>
Other Income and Expenditure	(264,328)	20	(264,308)	8,495	(255,813)
<b>(Surplus)/deficit on the provision of services</b>	<b>(656)</b>	<b>1,592</b>	<b>936</b>	<b>25,503</b>	<b>26,439</b>
<b>Opening Council Fund / HRA Reserves</b>			30,491		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(633)		
Housing Revenue Account (HRA)			(303)		
<b>Closing Council Fund / HRA Reserves</b>			<b>29,555</b>		



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2020

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	2020			2019		
		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		2,847	(249)	2,598	2,707	(147)	2,559
Education & Youth		161,956	(30,909)	131,047	132,948	(27,514)	105,434
Governance		12,489	(2,820)	9,669	11,871	(2,146)	9,725
Housing & Assets		45,592	(37,023)	8,569	53,412	(40,913)	12,499
People & Resources		5,033	(336)	4,697	4,757	(365)	4,392
Planning, Environment & Economy		12,196	(5,687)	6,509	10,858	(4,790)	6,068
Social Services		95,963	(22,249)	73,714	90,983	(21,064)	69,919
Strategic Programmes		8,569	(551)	8,018	10,842	(517)	10,325
Streetscene & Transportation		59,142	(20,779)	38,363	48,597	(10,829)	37,768
Central & Corporate Finance		13,807	(1,011)	12,796	18,016	(3,224)	14,792
Housing Revenue Account		48,137	(37,152)	10,985	43,829	(35,148)	8,681
Clwyd Theatr Cymru		7,217	(7,196)	21	6,999	(6,908)	90
<b>Cost of services</b>		<b>472,948</b>	<b>(165,962)</b>	<b>306,986</b>	<b>435,818</b>	<b>(153,565)</b>	<b>282,252</b>
Other Operating Expenditure*	4			28,603			26,801
Financing and Investment Income and Expenditure*	5			21,477			20,183
Taxation and Non-Specific Grant Income	6			(309,668)			(302,797)
<b>(Surplus)/deficit on the provision of services</b>	<b>3</b>			<b>47,398</b>			<b>26,439</b>
(Surplus)/deficit arising on revaluation of non-current assets				(20,353)			(8,717)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				(33,803)			38,303
<b>Total comprehensive income and expenditure</b>				<b>(6,758)</b>			<b>56,025</b>

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included in F&I I&E instead of Other Operating Expenditure

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2020

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

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

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

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
<b>At 31st March 2019</b>		27,334	2,221	15,945	6,663	52,163	6,828	58,992
In Year Movement in Reserves								
Total comprehensive income and expenditure		(30,751)	(16,647)	0	0	(47,398)	54,156	6,758
Adjustments between accounting and funding basis under	7	27,735	17,315	2,422	577	48,049	(48,049)	0
<b>Increase/(decrease) in year</b>		<b>(3,016)</b>	<b>668</b>	<b>2,422</b>	<b>577</b>	<b>651</b>	<b>6,107</b>	<b>6,758</b>
<b>At 31st March 2020</b>		<b>24,318</b>	<b>2,889</b>	<b>18,367</b>	<b>7,240</b>	<b>52,814</b>	<b>12,935</b>	<b>65,749</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 2018</b>		28,575	1,918	14,094	4,825	49,412	65,605	115,017
In Year Movement in Reserves								
Total comprehensive income and expenditure		(12,314)	(14,125)	0	0	(26,439)	(29,586)	(56,025)
Adjustments between accounting and funding basis under	7	11,073	14,428	1,851	1,838	29,190	(29,190)	0
<b>Increase/(decrease) in year</b>		<b>(1,241)</b>	<b>303</b>	<b>1,851</b>	<b>1,838</b>	<b>2,751</b>	<b>(58,776)</b>	<b>(56,025)</b>
<b>At 31st March 2019</b>		<b>27,334</b>	<b>2,221</b>	<b>15,945</b>	<b>6,663</b>	<b>52,163</b>	<b>6,829</b>	<b>58,992</b>

## BALANCE SHEET

as at 31<sup>st</sup> March 2020

		2020		2019	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>8</b>				
Council dwellings		199,322		203,171	
Other land and buildings		337,275		315,377	
Vehicles, plant, furniture and equipment		12,124		13,956	
Surplus assets		6,037		7,082	
Infrastructure assets		157,021		156,782	
Community assets		4,789		4,721	
Assets under construction		7,002		24,281	
<b>Total Property, Plant &amp; Equipment</b>			723,570		725,370
Investment properties and Agricultural Estate	<b>9</b>		24,956		27,035
Intangible assets			10		25
Long term investments	<b>11</b>		2,628		2,144
Long term debtors	<b>12</b>		9,065		7,771
<b>NON-CURRENT ASSETS TOTAL</b>			<u>760,229</u>		<u>762,345</u>
<b>CURRENT ASSETS</b>					
Inventories		888		1,036	
Short term debtors (net of impairment provision)	<b>13</b>	56,804		43,845	
Short term investments	<b>14</b>	0		0	
Cash and cash equivalents	<b>15</b>	29,127		30,335	
Assets held for sale	<b>10</b>	926		1,113	
<b>CURRENT ASSETS TOTAL</b>			<u>87,745</u>		<u>76,329</u>
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months	<b>16</b>	(67,593)		(50,454)	
Short term creditors	<b>17</b>	(33,497)		(35,953)	
Provision for accumulated absences		(3,178)		(2,666)	
Deferred liabilities	<b>39</b>	(552)		(555)	
Grants receipts in advance	<b>18</b>	(1,080)		(1,815)	
Provisions	<b>19</b>	(120)		(112)	
<b>CURRENT LIABILITIES TOTAL</b>			<u>(106,020)</u>		<u>(91,555)</u>
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	<b>17</b>	(1,052)		(1,532)	
Long term borrowing	<b>20</b>	(279,597)		(272,379)	
Deferred liabilities	<b>39</b>	(3,926)		(4,479)	
Provisions	<b>19</b>	(990)		(990)	
Other long term liabilities	<b>42</b>	(389,900)		(407,745)	
Grants receipts in advance	<b>18</b>	(739)		(1,002)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			<u>(676,204)</u>		<u>(688,127)</u>
<b>NET ASSETS</b>			<u>65,750</u>		<u>58,992</u>

## BALANCE SHEET

	Note	2020		2019	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>	<b>21</b>				
Capital receipts reserve		18,367		15,945	
Capital grants unapplied		7,240		6,663	
Council fund		11,025		14,020	
Earmarked reserves		13,293		13,314	
Housing revenue account		2,889		2,221	
<b>USABLE RESERVES TOTAL</b>			52,815		52,163
<b>UNUSABLE RESERVES</b>	<b>22</b>				
Revaluation reserve		119,688		105,289	
Capital adjustment account		291,957		317,944	
Financial instruments adjustment account		(5,730)		(6,091)	
Pensions reserve		(389,900)		(407,745)	
Deferred capital receipts		98		98	
Accumulated absences account		(3,178)		(2,666)	
<b>UNUSABLE RESERVES TOTAL</b>			12,935		6,829
<b>TOTAL RESERVES</b>			<u>65,750</u>		<u>58,992</u>

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

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

**CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> March 2020

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	2020		2019	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(47,398)		(26,439)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		76,811		83,971	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(33,694)</u>		<u>(35,227)</u>	
Net cash flows from operating activities	23		(4,281)		22,305
Net cash flows from investing activities	24	(23,856)		(34,158)	
Net cash flows from financing activities	25	<u>26,929</u>		<u>10,385</u>	
<b>Net increase or decrease in cash and cash equivalents</b>			<u>3,073</u>		<u>(23,773)</u>
			(1,208)		(1,468)
Cash and cash equivalents at the beginning of the reporting period	15		30,335		31,803
<b>Cash and cash equivalents at the end of the reporting period</b>	15		<b>29,127</b>		<b>30,335</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31<sup>st</sup> March 2020

### INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Council's accounting policies. The notes that follow (1 to 43) set out supplementary information to assist readers of the accounts.

### 1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

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

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

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2018/19			
	Adjustments for	Adjustments for	Other	Total
	Capital Purposes	Employee Benefit	Adjustments	Adjustments
	£000	Purposes	£000	£000
Note	a	b	c	
Chief Executive's	0	22	0	22
Education & Youth	3,748	(44)	(338)	3,366
Governance	1,269	71	211	1,551
Housing & Assets	8,758	1	(11,757)	(2,998)
People & Resources	0	71	0	71
Planning, Environment & Economy	549	90	(277)	362
Social Services	361	343	(44)	660
Strategic Programmes	6,256	53	(204)	6,105
Streetscene	7,367	166	(1,906)	5,627
Central & Corporate Finance	1,513	11,058	(19,345)	(6,774)
Housing Revenue Account	30,572	79	(21,667)	8,984
Clwyd Theatr Cymru	0	32	0	32
<b>Cost of services</b>	<b>60,393</b>	<b>11,942</b>	<b>(55,327)</b>	<b>17,008</b>
Other Income and Expenditure from the EFA	(29,833)	9,526	28,802	8,495
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>30,560</b>	<b>21,468</b>	<b>(26,525)</b>	<b>25,503</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:

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

2018/19	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(137)	(6,463)	(2,108)	(3,523)	(315)	(2,625)	(9,440)	(101)	(8,400)	(3,224)	(4,588)	(35,032)	(75,956)
Revenues from Transactions with other Operating Segments	0	(2,325)	(1,063)	(466)	(158)	(197)	(168)	0	(807)	0	(559)	0	(5,743)
Interest Revenues	0	0	0	0	0	0	0	0	0	(441)	0	0	(441)
Interest Expense	0	0	0	0	0	0	0	0	0	8,010	0	4,974	12,984

### 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	2019/20 £000	2018/19 £000
<b>Expenditure</b>		
Employee Benefit Expenses	195,847	189,352
Other Service Expenses	205,458	196,529
Depreciation, Amortisation & Impairment	83,608	60,265
Interest Payments	13,812	13,474
Precept and Levies	28,607	26,733
Gain or loss on disposal of non-current assets	(680)	(924)
Gain or loss on disposal of investment property	(196)	0
<b>Total Expenditure</b>	526,456	485,429
<b>Income</b>		
Fees, Charges and Other Service Income	(86,392)	(74,526)
Grants and Contributions	(246,643)	(247,979)
Interest and Investment Income	(3,431)	(2,627)
Income from Council Tax and Non-Domestic Rates	(142,592)	(133,857)
<b>Total Income</b>	(479,058)	(458,990)
<b>Surplus or Deficit on the Provision of Services</b>	47,398	26,439



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. OTHER OPERATING EXPENDITURE

	2020	2019
	£000	£000
Precept - Office of North Wales Police and Crime Commissioner	17,887	16,477
Other preceptors - Community Councils	2,930	2,847
Levy - North Wales Fire and Rescue Authority	7,790	7,410
Net gain on the disposal of non-current assets*	(680)	(850)
Admin. expenses on the net defined benefit liability	676	917
	28,603	26,801

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included separately in Note 5

### 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £21,477k (£20,257k in 2018/19), incorporates the investment losses and investment expenditure detailed below:

	2020	2019
	£000	£000
Interest payable and similar charges	13,812	13,474
Investment losses and investment expenditure	1,943	2,365
Net interest on the net defined benefit liability (see note 42)	9,349	8,609
Interest and investment income	(3,431)	(4,191)
Net gain on the disposal of investment properties*	(196)	(74)
	21,477	20,183

\*2018/19 figure restated as gain on disposal of investment properties (£74k) now included in F&I I&E instead of Other Operating Expenditure

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

	2020	2019
	£000	£000
Council tax income	(92,887)	(84,732)
Non-domestic rates	(49,704)	(49,126)
Non-ringfenced government grants	(139,276)	(140,030)
Capital grants and contributions	(27,801)	(28,909)
	(309,668)	(302,797)

#### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts.

The tax base for 2019/20 was 64,317 band 'D' equivalent properties (63,835 in 2018/19).

The Flintshire County Council precept for a band 'D' property in 2019/20 was £1,280.68 (£1,177.60 in 2018/19). 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	2,262	6,249	16,018	11,619	12,068	9,989	4,930	1,108	453

Other precepts added to 2019/20 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £17,887k (£16,477k in 2018/19) and 34 Town and Community Councils who collectively raised precepts totalling £2,930k (£2,847k in 2018/19).

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

	2020 £000	2019 £000
Council tax collected	104,023	95,271
(Increase)/Decrease in bad debts provision	(25)	42
Council Tax Reduction Scheme	(10,707)	(10,109)
Amounts written off to provision	(404)	(472)
	<u>92,887</u>	<u>84,732</u>
Less - Payable to North Wales Police and Crime Commissioner	(17,887)	(16,477)
	<u>75,000</u>	<u>68,255</u>

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the multiplier which in 2019/20 was 52.6p for all properties (51.4p in 2018/19). 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. 2019/20 NDR income paid into the pool was £60,516k after relief and provisions (£65,038k in 2018/19), based on a year end rateable value total of £145,838k (£147,901k in 2018/19).

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

	2020 £000	2019 £000
Non-domestic rates collected	60,254	65,154
Less - Paid into NDR pool	(60,516)	(65,038)
Less - Cost of collection	(345)	(339)
Increase/Decrease in bad debts provision	(85)	184
Relief Schemes	692	39
	<u>0</u>	<u>0</u>
Receipts from pool	49,704	49,126
	<u>49,704</u>	<u>49,126</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The debit adjustment for the year is £48,049k (£29,190k in 2018/19)

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2019/20	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>					
Charges for depreciation and impairment of non current assets	19,505	33,929	0	0	(53,434)
Revaluation losses on Property, Plant and Equipment	24,460	0	0	0	(24,460)
Movements in the market value of Investment Properties	727	0	0	0	(727)
Amortisation of intangible assets	15	0	0	0	(15)
Capital grants and contributions applied	0	0	0	(30,603)	30,603
Revenue expenditure funded from capital under statute	4,302	0	0	0	(4,302)
Soft Loan Accounting Adjustments	(50)	0	0	0	50
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,629	0	0	0	(1,629)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(3,962)	(2,624)	0	0	6,586
Capital expenditure charged against the Council Fund and HRA balances	(530)	(14,776)	0	0	15,306
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(31,180)	0	0	31,180	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	(2,505)	0	2,739	0	(234)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(317)	0	317
<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)	(2)	0	0	361
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(25,038)	(1,367)	0	0	26,405
Employer's pensions contributions and direct payments to pensioners payable in the year	40,211	2,153	0	0	(42,364)
<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	510	2	0	0	(512)
<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>27,735</b>	<b>17,315</b>	<b>2,422</b>	<b>577</b>	<b>(48,049)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
<b>2018/19</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</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	18,834	30,572	0	0	(49,406)
Revaluation losses on Property, Plant and Equipment	6,831	0	0	0	(6,831)
Movements in the market value of Investment Properties	(128)	0	0	0	128
Amortisation of intangible assets	32	0	0	0	(32)
Capital grants and contributions applied	0	0	0	(30,580)	30,580
Revenue expenditure funded from capital under statute	4,123	0	0	0	(4,123)
Soft Loan Accounting Adjustments	(16)	0	0	0	16
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,815	70	0	0	(1,885)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(3,522)	(2,544)	0	0	6,066
Capital expenditure charged against the Council Fund and HRA balances	(2,309)	(14,137)	0	0	16,446
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(32,418)	0	0	32,418	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	(2,664)	(146)	2,850	0	(40)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(999)	0	999
<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)	(2)	0	0	361
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	44,099	1,918	0	0	(46,017)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,133)	(1,305)	0	0	25,438
<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	888	2	0	0	(890)
<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>11,073</b>	<b>14,428</b>	<b>1,851</b>	<b>1,838</b>	<b>(29,190)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. PROPERTY, PLANT AND EQUIPMENT

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

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

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.

#### Movements 2019/20

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468
Additions and Acquisitions	27,824	13,431	1,450	0	6,470	68	6,568	55,811
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	20,374	0	(550)	0	0	0	19,824
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(25,191)	0	(1)	0	0	0	(25,192)
Assets Derecognised	0	(402)	(2,865)	(930)	0	0	0	(4,197)
Reclassifications	0	454	0	(300)	0	0	0	154
Other movements in cost or valuation	2,215	21,632	0	0	0	0	(23,847)	0
At 31st March 2020	<b>355,577</b>	<b>386,693</b>	<b>26,167</b>	<b>6,320</b>	<b>249,320</b>	<b>4,789</b>	<b>7,002</b>	<b>1,035,868</b>
<b>Accumulated Depreciation and Impairment</b>								
As At 1st April, 2019	(122,367)	(41,018)	(13,626)	(1,019)	(86,068)	0	0	(264,098)
Depreciation charge	(5,060)	(12,831)	(3,282)	(72)	(6,231)	0	0	(27,476)
Depreciation written out to the Revaluation Reserve	0	3,505	0	13	0	0	0	3,518
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,776	0	10	0	0	0	3,786
Impairments written out to the Revaluation Reserve	0	(54)	0	0	0	0	0	(54)
Impairments recognised in the Revaluation Reserve	0	(3,059)	0	0	0	0	0	(3,059)
Reversal of Impairments recognised in the Surplus/Deficit	0	3,319	0	0	0	0	0	3,319
Impairments written out to Surplus/Deficit on the Provision of Services	0	264	0	0	0	0	0	264
Impairments recognised in the Surplus/Deficit on the Provision of Services	(28,828)	(3,725)	0	0	0	0	0	(32,553)
Assets Derecognised	0	402	2,865	785	0	0	0	4,052
Assets reclassified (to)/from Held for Sale	0	3	0	0	0	0	0	3
At 31st March 2020	<b>(156,255)</b>	<b>(49,418)</b>	<b>(14,043)</b>	<b>(283)</b>	<b>(92,299)</b>	<b>0</b>	<b>0</b>	<b>(312,298)</b>
Balance Sheet at 31st March 2020	<b>199,322</b>	<b>337,275</b>	<b>12,124</b>	<b>6,037</b>	<b>157,021</b>	<b>4,789</b>	<b>7,002</b>	<b>723,570</b>
Balance Sheet at 1st April 2019	<b>203,171</b>	<b>315,377</b>	<b>13,956</b>	<b>7,082</b>	<b>156,782</b>	<b>4,721</b>	<b>24,281</b>	<b>725,370</b>
<b>Nature of Asset Holding</b>								
Owned	199,322	337,275	8,439	6,037	157,021	4,789	7,002	719,885
Finance Lease	0	0	3,685	0	0	0	0	3,685
At 31st March 2020	<b>199,322</b>	<b>337,275</b>	<b>12,124</b>	<b>6,037</b>	<b>157,021</b>	<b>4,789</b>	<b>7,002</b>	<b>723,570</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2018/19

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2018	299,774	358,542	28,423	9,182	233,533	4,721	7,512	941,687
Additions and Acquisitions	23,134	4,832	2,693	0	9,304	0	22,363	62,326
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,722)	0	(88)	0	0	0	(1,810)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,049)	0	(105)	0	0	0	(9,154)
Assets Derecognised	0	0	(3,554)	0	0	0	0	(3,554)
Reclassifications	(70)	1,262	0	(888)	0	0	0	304
Other movements in cost or valuation	2,700	2,530	20	0	13	0	(5,594)	(331)
At 31st March 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468
<b>Accumulated Depreciation and Impairment</b>								
As At 1st April, 2018	(92,038)	(45,309)	(13,846)	(247)	(80,071)	0	0	(231,511)
Depreciation charge	(5,065)	(12,404)	(3,334)	(64)	(5,997)	0	0	(26,864)
Depreciation written out to the Revaluation Reserve	0	9,278	0	77	0	0	0	9,355
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,833	0	71	0	0	0	3,904
Impairments written out to the Revaluation Reserve	0	3,150	0	0	0	0	0	3,150
Impairments recognised in the Revaluation Reserve	0	(1,747)	0	(93)	0	0	0	(1,840)
Reversal of Impairments recognised in the Surplus/Deficit	0	4,091	0	0	0	0	0	4,091
Impairments written out to Surplus/Deficit on the Provision of Services	0	1,248	0	0	0	0	0	1,248
Impairments recognised in the Surplus/Deficit on the Provision of Services	(25,264)	(3,220)	0	(692)	0	0	0	(29,176)
Assets Derecognised	0	0	3,554	0	0	0	0	3,554
Assets reclassified (to)/from Held for Sale	0	62	0	(71)	0	0	0	(9)
At 31st March 2019	(122,367)	(41,018)	(13,626)	(1,019)	(86,068)	0	0	(264,098)
Balance Sheet at 31st March 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370
Balance Sheet at 1st April 2018	207,736	313,233	14,577	8,935	153,462	4,721	7,512	710,176
<b>Nature of Asset Holding</b>								
Owned	203,171	315,377	9,696	7,082	156,782	4,721	24,281	721,110
Finance Lease	0	0	4,260	0	0	0	0	4,260
At 31st March 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair Value Measurement of Surplus Assets

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

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2019/20 Surplus Assets	0	2,843	3,195	6,038
2018/19 Surplus Assets	0	2,884	4,198	7,082

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2020	2019
	£000	£000
<b>Cost or Valuation</b>		
At 1st April	27,075	29,151
Reclassifications	(139)	(2,167)
Additions	22	40
Revaluation Increases/Decreases to Surplus/Deficit	(700)	51
Other Adjustments	(1,279)	0
At 31st March	24,979	27,075
<b>Depreciation and Impairments</b>		
At 1st April	40	86
Reclassifications	3	(9)
Reversal of Impairments recognised in the Surplus/Deficit	0	0
Impairment / Depn	(20)	(37)
At 31st March	23	40
Balance Sheet at 31st March	24,956	27,035

#### Fair Value Measurement of Investment Property

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

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
<b>2019/20</b>				
Commercial and Industrial Estates	0	0	12,566	12,566
Agricultural Estate - Farms	0	11,000	0	11,000
Agricultural Estate - Grazing Land	73	0	1,247	1,320
<b>Total</b>	<b>73</b>	<b>11,000</b>	<b>13,813</b>	<b>24,886</b>
<b>2018/19</b>				
Commercial and Industrial Estates	0	0	14,224	14,224
Agricultural Estate - Farms	0	11,640	0	11,640
Agricultural Estate - Grazing Land	0	0	1,171	1,171
<b>Total</b>	<b>0</b>	<b>11,640</b>	<b>15,395</b>	<b>27,035</b>

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

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

The fair value of the Council's investment property is measured annually at each reporting date. In 2019/20 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. ASSETS HELD FOR SALE

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

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2018</b>	<b>0</b>	<b>800</b>	<b>717</b>	<b>1,517</b>
Additions	0	1	0	1
Assets newly classified as held for sale	70	1,320	1,028	2,418
Assets declassified as held for sale	0	(23)	(531)	(554)
Net Reclassifications	70	2,098	1,214	3,382
Impairments	0	(216)	(102)	(318)
Revaluation gains	0	58	180	238
Revaluation losses	0	(76)	(114)	(190)
Net Revaluations	0	(234)	(36)	(270)
Assets sold	(70)	(1,337)	(593)	(2,000)
<b>At 31st March 2019</b>	<b>0</b>	<b>528</b>	<b>585</b>	<b>1,113</b>

#### Fair Value Measurement of Assets Held for Sale

Details of the Council's assets held for sale and information about the fair value hierarchy as at 31 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
2019/20 Assets Held for Sale	43	65	818	926
2018/19 Assets Held for Sale	0	510	603	1,113

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### Significant Unobservable Inputs – Level 3

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

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

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

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

## 11. LONG TERM INVESTMENTS

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

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Banks / Building Society Deposits	0	0
North East Wales Homes	2,628	2,144
Total	<u>2,628</u>	<u>2,144</u>

## 12. LONG TERM DEBTORS

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Renewal and improvement loans	1,986	2,139
First time buyer loans	100	100
Assisted car purchase loans	0	3
Affordable housing deposits	98	98
Private street works	46	45
Loan to NEW Homes	6,819	5,386
General Long Term Debtors	16	0
Total	<u>9,065</u>	<u>7,771</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. SHORT TERM DEBTORS

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Housing Rents	1,918	2,136
Council Tax	3,265	2,748
Grants	16,729	15,008
Benefit Overpayments	2,219	2,334
Taxation	2,894	3,312
NNDR	5,844	0
Lending	1,026	92
Payments in advance	6,589	6,516
Other	16,029	11,178
NHS	2,938	3,238
	59,451	46,562
Allowance for impairment losses and expected credit losses	(2,647)	(2,717)
Total	56,804	43,845

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

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

Analysis of age of Council Tax debt:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
0-1 years	1,937	1,503
1-2 years	610	537
2-3 years	286	262
3-4 years	162	163
4-5 years	99	83
5+ years	171	200
Total	3,265	2,748

### 14. SHORT TERM INVESTMENTS

The balance sheet total is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash. Totals for 2020 were nil as in 2019.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. CASH AND CASH EQUIVALENTS

	2020		2019	
	£000	£000	£000	£000
<b>Current Assets</b>				
Temporary investments (call accounts)		0		0
Cash and cash equivalents	31,718		32,002	
Cash overdrawn	<u>(2,591)</u>		<u>(1,667)</u>	
		29,127		30,335
Total		<u>29,127</u>		<u>30,335</u>

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

	2020	2019
	£000	£000
Accrued interest on long term external borrowing	2,855	5,991
Loans maturing	10,000	0
Annuity loan repayments	1,198	85
Invest to Save loan (from Welsh Government)	0	0
Energy Efficiency Loans (from Salix Finance Ltd.)	492	339
Short term external borrowing	53,000	44,000
Accrued interest on short term external borrowing	48	39
Total	<u>67,593</u>	<u>50,454</u>

### 17. CREDITORS

	2020	2019
	£000	£000
<b>Short Term</b>		
Rents received in advance	337	347
Council Tax received in advance and accounts in credit	1,292	1,189
Deposits	335	322
Receipts in advance	4,224	3,254
Employee Related	6,120	5,451
NNDR	0	1,127
Other	21,189	24,263
Total	<u>33,497</u>	<u>35,953</u>
<b>Long Term</b>		
Deposits	413	548
Receipts in advance	489	984
Other	150	0
Total	<u>1,052</u>	<u>1,532</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. GRANT INCOME

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

	2020 £000	2019 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	139,276	140,030
Total Non Ringfenced Government Grants	139,276	140,030
Welsh Government (WG):		
Major Repairs Allowance	5,060	5,065
General Capital Grant	3,875	4,746
21st Century Schools	2,000	7,055
Local Transport Fund	1,537	6,466
Integrated Care Fund	2,045	2,096
School Improvement Grant	2,185	2,043
Infant Class Size*	1,160	168
IHP-SHARP	1,190	0
IHP-Marleyfield	2,022	0
Hwb in Schools ICT Infrastructure Grant	1,367	0
Other WG Grants	2,669	132
Other Capital Grants and Contributions	2,690	1,138
Total Capital Grants and Contributions	27,800	28,909
<b>Total</b>	<b>167,076</b>	<b>168,939</b>

\*2019 figure restated. Included in '21st Century Schools' in 19/20.

	2020 £000	2019 £000
<b>Credited to Services</b>		
WG		
Housing Support Grant*	5,920	0
Supporting People	0	5,770
Post 16	4,620	4,711
Education Improvement Grant	5,796	5,814
Children & Communities Grant**	5,284	0
Flying Start	0	2,893
Families First	0	1,557
Pupil Deprivation	3,748	3,716
Concessionary Fares	1,712	1,933
Integrated Care Fund	4,008	2,295
Childcare Offer Grant	249	2,844
Teachers Pension Grant	1,975	0
LA Education Grant***	2,406	1,196
NWRWTP	1,588	0
Other	6,521	8,004
Department of Work and Pensions	29,721	33,082
Arts Council Wales	1,909	2,183
Other Grants and Contributions	4,111	3,041
<b>Total</b>	<b>79,568</b>	<b>79,039</b>

\*New grant for 19/20. Includes previously named Supporting People Grant.

\*\* New grant for 19/20. Includes previously named Flying Start & Families First grants.

\*\*\*2019 figure restated. Included in 'Other WG Grants' in 18/19

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Grants and Contributions Received in Advance

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

	2020 £000	2019 £000
<b>Short Term</b>		
Revenue Grants	441	1,206
Capital Grants	0	0
Capital Contributions	369	487
Revenue Contributions	270	122
<b>Total</b>	<b>1,080</b>	<b>1,815</b>
<b>Long Term</b>		
Revenue Grants	0	0
Capital Grants	0	0
Revenue Contributions	298	451
Capital Contributions	441	551
<b>Total</b>	<b>739</b>	<b>1,002</b>

## 19. PROVISIONS

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

	2020 £000	Additions £000	Expenditure Incurred £000	Amounts Reversed £000	Unwinding Discounting £000	2019 £000
<b>Current Liabilities</b>						
Aftercare of former landfill sites	50	0	0	0	0	50
Employee Termination Benefits	0	0	(22)	0	0	22
Employee Claims	70	30	0	0	0	40
<b>Total</b>	<b>120</b>	<b>30</b>	<b>(22)</b>	<b>0</b>	<b>0</b>	<b>112</b>
<b>Non-Current Liabilities</b>						
Aftercare of former landfill sites	985	0	0	0	0	985
Remediation works at former landfill sites	5	0	0	0	0	5
<b>Total</b>	<b>990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>990</b>

- 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2018/19 for the termination benefits of employees leaving the Council's employment in 2019/20.
- The employee claims provision will fund the estimated costs of employee claims against the Council.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites across the County will be considered with the condition of each assessed as necessary in due course. The Council has set aside a provision to fund its liabilities for any remediation works deemed necessary on a best estimate basis at the balance sheet date.

### 20. LONG TERM BORROWING

Analysis	Interest Rates		2020	2019
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
Salix Finance (Energy Efficiency)		Interest Free	3,822	4,313
Government (PWLB)	0.92	9.50	255,965	248,256
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	860	860
Total			279,597	272,379
<b>By Maturity</b>				
Between 1 and 2 years			4,783	10,580
Between 2 and 5 years			13,940	9,475
Between 5 and 10 years			24,939	19,769
More than 10 years			235,935	232,555
Total			279,597	272,379

### 21. USABLE RESERVES

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

#### Council Fund

The Council fund balance of £11,025k represents the value of unearmarked reserves available to the Council (£14,020k in 2018/19).

#### Housing Revenue Account

The housing revenue account reserve cumulative balance of £2,889k (£2,221k in 2018/19) includes the 2019/20 HRA surplus of £668k (£303k (surplus) in 2018/19), as detailed on page 70.

#### Capital Receipts Reserve

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

#### Capital Grants Unapplied

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Earmarked Reserves

Total earmarked reserves of £13,293k (£13,314k in 2018/19) include:

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Movement between earmarked reserves is summarised in the following table:

	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000
Service balances	1,515	(999)	339	855	(227)	1,201	1,829
School balances	1,285	(4,935)	4,985	1,335	(5,886)	4,663	112
Single status/equal pay	1,621	(437)	0	1,184	(63)	0	1,121
Investment in Organisational Change	1,439	(400)	0	1,039	(345)	1,000	1,694
Benefits equalisation	318	0	0	318	(185)	0	133
County elections	170	(13)	48	205	(13)	20	212
Local Development Plan (LDP)	180	0	0	180	0	0	180
Building control	55	(55)	0	0	0	0	0
Waste disposal	129	(46)	0	83	0	0	83
Enterprise Centres	108	(55)	0	53	(46)	0	7
Design fees	200	0	0	200	0	0	200
Winter maintenance	215	0	35	250	0	0	250
Car Parking	48	(10)	9	47	(16)	14	45
Insurance Reserves	1,805	(565)	873	2,113	(761)	851	2,203
Cash Receipting Review	83	(83)	1	1	0	2	3
Flintshire Trainees	476	0	65	541	(17)	0	524
Rent Income Shortfall	150	(80)	0	70	(39)	0	31
Customer Service Strategy	103	(70)	0	33	(11)	0	22
Capita One	19	0	0	19	0	0	19
Supervision Fees	49	0	0	49	0	0	49
Transportation Review	170	(86)	0	84	(84)	0	0
LMS Curriculum	779	(873)	477	383	(541)	579	421
Restoration of Ewloe Offices	830	(830)	0	0	0	0	0
Organisational Change/ADM	155	(55)	0	100	(104)	37	33
Emergency Remediation	50	(50)	0	0	0	0	0
Employment Claims	0	0	150	150	(42)	0	108
Carbon Reduction	0	(253)	296	43	(17)	0	26
Property Claims	0	0	45	45	(9)	0	36
Community Benefit Fund NWRWTP	0	0	0	0	0	65	65
Grants & Contributions	2,924	(780)	1,790	3,934	(1,504)	1,457	3,887
<b>Total</b>	<b>14,876</b>	<b>(10,675)</b>	<b>9,113</b>	<b>13,314</b>	<b>(9,910)</b>	<b>9,889</b>	<b>13,293</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. UNUSABLE RESERVES

The balances on unusable reserves are as follows:

	2020	2019
Reserves	£000	£000
Revaluation reserve	119,688	105,289
Capital adjustment account	291,957	317,944
Financial instruments adjustment account	(5,730)	(6,091)
Pensions reserve	(389,900)	(407,745)
Deferred Capital Receipt	98	98
Accumulated absences account	(3,178)	(2,666)
<b>Total Unusable Reserves</b>	<u>12,935</u>	<u>6,829</u>

The details of movements on unusable reserves are as follows:

#### Revaluation Reserve

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

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

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

	2020	2019
	£000	£000
Balance at 1st April	105,269	103,062
Upward revaluation of assets	27,140	14,866
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(6,788)</u>	<u>(6,149)</u>
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	20,352	8,717
Difference between fair value depreciation and historical cost depreciation	(5,625)	(6,420)
Accumulated gains on assets sold or scrapped	<u>(308)</u>	<u>(70)</u>
Amount written off to the capital adjustment account	(5,933)	(6,490)
Balance at 31st March	<u>119,688</u>	<u>105,289</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Pensions Reserve

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

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

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

	2020 £000	2019 £000
Balance at 1st April	(407,745)	(348,865)
Return on plan assets	(32,745)	14,293
Actuarial gains and (losses)	66,548	(52,594)
Net charges to surplus / deficit on provision of services	(42,363)	(46,016)
Employers' contributions payable to the scheme	26,405	25,437
Balance at 31st March	(389,900)	(407,745)

### Financial Instruments Adjustment Account

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

	2020		2019	
	£000	£000	£000	£000
Balance at 1st April		(6,091)		(6,452)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	361		361	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		361		361
Balance at 31st March		(5,730)		(6,091)

## 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.

	2020		2019	
	£000	£000	£000	£000
Balance at 1st April		317,944		319,537
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	(53,435)		(49,406)	
- Revaluation losses on PP&E	(24,460)		(6,831)	
- Amortisation of intangible assets	(15)		(32)	
- Revenue expenditure funded from capital under statute	(4,302)		(4,123)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,629)		(1,885)	
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	(727)		128	
- Soft Loan Accounting Adjustments	50		16	
	(84,518)		(62,133)	
Adjusting amounts written out of the revaluation reserve	5,954		6,490	
Net written out amount of the cost of non-current assets consumed in the year		(78,564)		(55,643)
Capital financing applied in the year:				
- Use of the capital receipts reserve	317		999	
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	30,603		30,580	
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	6,585		6,065	
- Capital expenditure charged against the council fund and HRA balances	15,306		16,446	
Long term debtors adjustments - Loan Repayments	(234)		(40)	
		52,577		54,050
Balance at 31st March		291,957		317,944

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Deferred Capital Receipts

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

	2020	2019
	£000	£000
Affordable homes deposits	98	98
	98	98

### 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £4,281k outflow (£22,305k inflow in 2018/19) include the following interest elements:

	2020	2019
	£000	£000
Interest received	428	375
Interest paid	(16,939)	(13,474)

### 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2020	2019
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(55,833)	(61,849)
Purchase of short term and long term investments	0	0
Other payments for investing activities	(1,949)	(7,536)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,514	2,809
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	31,412	32,418
<b>Net cash flows from investing activities</b>	<b>(23,856)</b>	<b>(34,158)</b>

### 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2020	2019
	£000	£000
Cash receipts of short term and long term borrowing	72,449	18,946
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(555)	(541)
Repayment of short term and long term borrowing	(44,965)	(8,020)
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>26,929</b>	<b>10,386</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	2020		2019	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	1	25	2	22
£65,000 - £69,999	7	14	1	9
£70,000 - £74,999	0	4	0	7
£75,000 - £79,999	0	8	0	7
£80,000 - £84,999	0	4	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	0	0	1
£100,000 - £104,999	0	0	0	1
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	1	0	0
	8	57	3	48

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Post Title	Note	2019/20		2018/19	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1	136,548	37,687	136,548	37,278
Chief Officer Governance	1	96,348	26,592	94,458	25,787
Chief Officer Education & Youth	2	92,017	25,397	87,028	23,759
Chief Officer Social Services		96,348	26,592	94,458	25,787
Chief Officer Planning, Environment & Economy		96,348	26,592	94,458	25,787
Chief Officer Streetscene & Transportation		96,348	26,592	94,458	25,787
Chief Officer Housing & Assets		96,348	26,592	94,458	25,787
Corporate Finance Manager (Section 151 Officer)		70,724	19,520	68,357	18,661
Senior Manager (HR & OD)		67,119	18,525	65,781	17,958
		848,148	234,089	830,004	226,591

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

a) Returning Officer and Deputy Returning Officer roles at elections (costs for national, regional, local elections and referenda reimbursed by respective Government based on a nationally set payment formula) and;

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

**Note 2 :** New appointment to Interim Chief Officer role-start date 26th June 2017. Appointed on a permanent basis 18th July 2018.

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 (£19,554); for 19/20 this was 1:6.98 (for 2018/19 this was 1:7.31).

### Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the number of exit packages agreed and the cost of the packages to the Council in the financial year. Exit costs arising in 2019/20 which the Council is committed to incurring at the 31<sup>st</sup> March 2020, but paid after this date, are also included in the disclosure. Information is included for all maintained schools including Voluntary Aided and Foundation Schools.

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

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	9	13	2	2	11	15	105,797	115,881
£20,001 - £40,000	2	5	1	0	3	5	89,922	139,192
£40,001 - £60,000	2	4	0	0	2	4	110,579	209,305
£60,001 - £80,000	2	3	0	0	2	3	139,573	209,790
	15	25	3	2	18	27	445,871	674,168



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. MEMBERS' ALLOWANCES

Allowances totaling £1,470k were paid directly to members of the Council, and on their behalf in 2019/20 (£1,458k in 2018/19). Further information is available on the Council's website: <https://www.flintshire.gov.uk/en/Resident/Council-and-Democracy/Councillor-Allowances.aspx>

	2020	2019
	£000	£000
Salaries	1,431	1,432
Members' expenses	39	26
	<u>1,470</u>	<u>1,458</u>

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

### 28. RELATED PARTIES

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

#### Welsh and Central Government

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

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances paid in 2019/20 is shown in note 27.

The Council appoints Members to some external charitable and voluntary bodies, or Members have disclosed a link to organisations, public bodies and authorities. The total transactions with bodies under this heading during 2019/20 are as follows:

• Payments	£7,612k	(£4,543k in 2018/19)
• Receipts	£18k	(£18k in 2018/19)
• Amounts owed by the Council	£50k	(£89k in 2018/19)
• Amounts owed to the Council	£148k	(£35k in 2018/19)

Members have declared an interest or relationship in companies or businesses which may have had dealings with the Council. The total payments made to companies under this heading during 2019/20 and amounts outstanding at 31<sup>st</sup> March are as follows:

• Payments	£276k	(£264k in 2018/19)
• Receipts	£17k	(£25k in 2018/19)
• Amounts owed by the Council	£0k	(£9k in 2018/19)
• Amounts owed to the Council	£1k	(£4k in 2018/19)

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Officers

Senior Officers have declared, as required and where appropriate, an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Council. The total transactions with such bodies during 2019/20 are as follows:

• Payments	£374k	(£372k in 2018/19)
• Amounts owed to the Council	£8k	(£0k in 2018/19)

### Community Asset Transfer (CAT)

A number of Members and Senior Officers have an interest in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's Balance Sheet and have a combined net book value of £9,255k (£8,821k in 2018/19).

In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2019/20 are:

• Grants awarded	£206k	(£212k in 2018/19)
• Grants paid in advance	£203k	(£0k in 2018/19)
• Payments	£47k	(£37k in 2018/19)
• Amounts owed by the Council	£11k	(£1k in 2018/19)
• Receipts	£4k	(£0k in 2018/19)
• Amounts owed to the Council	£3k	(£12k in 2018/19)

### Associated Companies

The Council has three wholly owned subsidiaries, North East Wales Homes Ltd, Newydd Catering and Cleaning Ltd, and Theatr Clwyd Productions Ltd. These are companies limited by shares and are included in the Council's group accounting boundary. North East Wales Homes has a loan facility with the Council, and as at 31st March 2020 this amounted to £10,328k (£7,530k at 31st March 2019).

Other transactions with associated companies during 2019/20 are:

• Payments	£9,354k	(£9,080k in 2018/19)
• Receipts	£1,586k	(£1,677k in 2018/19)
• Amounts owed by the Council	£153k	(£273k in 2018/19)
• Amounts owed to the Council	£483k	(£394k in 2018/19)

### Other Public Bodies

#### Clwyd Pension Fund

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

#### Teachers Pensions Agency

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 42.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### North Wales Police and Crime Commissioner and North Wales Fire Authority

Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts paid to the Office of the North Wales Police and Crime Commissioner amounted to £17,887k (£16,477k in 2018/19). Other transactions with North Wales Police and Crime Commissioner during 2019/20 are:

• Payments	£23k	(£11k in 2018/19)
• Receipts	£230k	(£115k in 2018/19)
• Amounts owed to the Council	£17k	(£52k in 2018/19)

Total levies paid to the North Wales Fire and Rescue Authority amounted to £7,790k (£7,409k in 2018/19). Other transactions with North Wales Fire Authority during 2019/20 are:

• Payments	£136k	(£14k in 2018/19)
• Receipts	£29k	(£23k in 2018/19)

### Community / Town Councils

Total precepts including cemetery precepts paid to the 34 Community/Town councils amounted to £2,939k (£2,856k in 2018/19). Other transactions with Community Councils during 2019/20 are:

• Payments	£76k	(£266k in 2018/19)
• Receipts	£440k	(£364k in 2018/19)
• Amounts owed by the Council	£11k	(£10k in 2018/19)
• Amounts owed to the Council	£126k	(£81k in 2018/19)

Transactions with the following bodies during 2019/20 were as follows:

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

• Payments	£912k	(£1,210k in 2018/19)
• Receipts	£6,660k	(£4,862k in 2018/19)
• Amounts owed by the Council	£1,366k	(£1,045k in 2018/19)
• Amounts owed to the Council	£5,592k	(£5,746k in 2018/19)

### Welsh Joint Education Committee:

• Payments	£152k	(£130k in 2018/19)
• Amounts owed by the Council	£5k	(£177k in 2018/19)

### Welsh Local Government Association:

• Payments	£100k	(£103k in 2018/19)
• Receipts	£147k	(£122k in 2018/19)
• Amounts owed to the Council	£15k	(£0k in 2018/19)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. AUDIT FEES

Total audit and inspection fees due during the year amounted to £340k (£373k in 2018/19). External audit services were provided by Audit Wales.

	2020	2019
	£000	£000
Fees for the Statement of Accounts	197	207
Fees for the Local Government Measure	100	100
Fees for grants	43	66
	340	373

### 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.

	2020	2019
<b>Partnership</b>	<b>£000</b>	<b>£000</b>
Gross expenditure	1,209	1,076
Gross income	(1,230)	(1,168)
(Surplus) / deficit for year	(21)	(92)
<b>Contribution to Budget</b>		
Flintshire County Council	300	295

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

	Gross £000	Net £000	%
Flintshire County Council	572	568	50.25
Wrexham County Borough Council	567	562	49.75
	1,139	1,130	100.00

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £3,530k (£2,339k in 2018/19).

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. Flintshire County Council was previously the lead/banker authority for the North Wales region and responsible for administering the first tranche of funding given in perpetuity to Council's. Funds have since been disaggregated to the other 5 North Wales Councils. The Council issued £428k of loans (£135k in 2018/19) with £208k being repaid (£214k in 2018/19). The second tranche of funding was paid directly to all Councils, it has to be returned in 11 years' time and to date no loans have been issued.

Welsh Government has also provided funding called Home Improvement Loans for works in making residential properties safe, warm and/or secure, again with the funding to be returned in 11 years' time. £101k has been granted in loans in year (£118k in 2018/19).

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant is used to support bus and community transport services in the region. The total received in 2019/20 was £6,526k, of which £605k was Flintshire's share and is included in Flintshire's accounts (£6,793k in 2018/19, £602k in Flintshire's accounts). The Childcare Offer Grant is used to provide free childcare for working parents of 3-4 year olds. Flintshire administers this grant on behalf of Flintshire, Wrexham and Denbighshire. The total received in 2019/20 was £8,432k (£4,087k in 2018/19). £248k was received by Flintshire in the form of an admin grant for running the service and is included in Flintshire's accounts (£208k in 2018/19).

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings. In 2019/20 £3,510k was collected (£3,527k 2018/19). The Council also acts as agents in arranging and collecting household contents insurance for tenants' belongings on their behalf if they wish. In 2019/20 £78k was collected (£96k in 2018/19). The Council also collects heating charges from tenants living in Council owned communal buildings, and in 2019/20 £158k was collected (£148k in 2018/19).

### 32. OTHER FUNDS ADMINISTERED BY THE COUNCIL

The Council administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31<sup>st</sup> March 2020 was £13k (£29k in 2018/19) and is not included in the balance sheet.

In the Social Services portfolio the Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to manage their own financial affairs; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31<sup>st</sup> March 2020 was £5,126k in 368 separate accounts (£4,696k in 371 accounts in 2018/19).

## NOTES TO THE CORE FINANCIAL STATEMENT

### 33. CONTINGENT LIABILITIES

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

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

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

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

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

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

A claim is being brought by the owner of a property where the Council was a former tenant. The case is being considered by an independent arbitrator imminently and as a result the Council may have to pay all, some or none of the claim.

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.

### 34. 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.

### 35. CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

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

## NOTES TO THE CORE FINANCIAL STATEMENT

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Leisure and Libraries Property Leases - involve leasehold transfer of specific Council assets to a charitable, not-for-profit, organisation which is responsible for managing the majority of leisure centres and libraries previously operated directly by the Council. The lease agreements have been considered; whilst operational risk and reward transfers to the charitable organisation, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet. The classification of the assets have also remained consistent with prior years' treatment. They are recognised as operational Property, Plant and Equipment, which aligns with the classification most suitable to the use of the assets when compared to other definitions of assets such as surplus or investment assets.

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

- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation. Further detail assessing the sensitivities of estimates can be found in Note 42.
- 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.
- Britain leaving the European Union – there is a high level of uncertainty regarding how Britain will leave the European Union and the resulting implications. The manner of Britain's leaving has the potential to affect asset valuations and the pension liability on the Council's Balance Sheet. Currently there is not sufficient information to indicate that the assets of the Council might be impaired or that the discount rate used to calculate the pension liability might need amending.
- The timing of the outbreak of COVID-19 was such that the impact was beginning to be felt in March 2020. The impact of the outbreak may have implications on the estimation techniques used by the Council in preparing these accounts. In particular, the council has engaged with the Actuary of the Clwyd Pension Fund who has advised that the estimation techniques used in estimating the value of assets held on behalf of the Council in the Fund are the best available at the time the estimates were undertaken. It is also recognized that the wider economic impact of the outbreak may have implications for the estimation of the Council's liabilities in the Fund. Given the specialist nature of most of the assets which make up the Council's Property Plant and Equipment, the Council's valuer does not consider that there is a significant risk in relation to the impact of COVID-19 and its valuation.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2019/20 were as follows:-

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Total minimum revenue provision	6,586	6,066
Recharge to housing revenue account	<u>(2,575)</u>	<u>(2,544)</u>
	<u>4,011</u>	<u>3,522</u>

### 37. 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.

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Investment</b>		
Property, plant and equipment	55,832	62,367
Intangible assets	0	0
REFCUS	<u>7,181</u>	<u>4,262</u>
	<u>63,013</u>	<u>66,629</u>
<b>Sources of Finance</b>		
Capital receipts	(236)	(999)
Capital grants and contributions	(30,603)	(30,579)
Capital reserves / CERA	<u>(15,306)</u>	<u>(16,446)</u>
	<u>(46,145)</u>	<u>(48,024)</u>
<b>Increase/(decrease) in capital financing requirement</b>	<u>16,868</u>	<u>18,605</u>
Increase in supported borrowing	4,094	4,051
Increase in other (unsupported) borrowing	<u>12,774</u>	<u>14,554</u>
	<u>16,868</u>	<u>18,605</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. FUTURE CAPITAL COMMITMENTS

As at 31<sup>st</sup> March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	Contract Sum £000	Payments to 31/03/20 £000	Balance Outstanding £000
<b>Council Fund</b>			
Connah's Quay High School	16,490	16,243	247
Penyffordd CP School	6,910	6,398	512
Mold County Hall - Demolition Phases 3 and 4	1,743	729	1,014
Marleyfield House Care Home, Buckley	8,370	462	7,908
Solar PV at Flint Landfill and Crumps Yard Connah's Quay	3,169	0	3,169
	<u>36,682</u>	<u>23,832</u>	<u>12,850</u>
<b>Housing Revenue Account</b>			
SHARP			
- Maes Gwern, Mold	1,512	439	1,073
- Llys Dewi, Penyffordd	3,488	3,308	180
- Dobshill, Hawarden	2,166	1,982	184
- St Andrews, Garden City	2,100	1,764	336
	<u>9,266</u>	<u>7,493</u>	<u>1,773</u>
<b>Total</b>	<u><b>45,948</b></u>	<u><b>31,325</b></u>	<u><b>14,623</b></u>

Further to the commitments listed in the table above, the Council has the strategic aim of meeting the Welsh Government target for all social housing to be brought up to the Welsh Housing Quality Standard (WHQS) by 2020. 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.

### 39. LEASING

#### Lessee Rentals

##### Finance Leases

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

Asset Classification	2020 £000	2019 £000
Vehicles, plant and equipment	<u>3,685</u>	<u>4,260</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts of which £552k is due to be paid during the next 12 months (£555k equivalent for the previous financial year).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2020	Repaid	New	2019
	£000	£000	£000	£000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	552	3	0	555
Non-current	3,926	552	0	4,479
	<u>4,478</u>	<u>555</u>	<u>0</u>	<u>5,034</u>
Finance costs payable in future years	1,498	423	0	1,920
Minimum lease payments	<u>5,976</u>	<u>978</u>	<u>0</u>	<u>6,954</u>

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

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

Finance costs - the interest element of the minimum lease payments

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2020	2019	2020	2019
	£000	£000	£000	£000
Not later than one year	927	978	552	555
Later than one year and not later than five years	3,435	4,362	2,453	3,005
Later than five years	1,614	1,614	1,474	1,474
	<u>5,976</u>	<u>6,954</u>	<u>4,479</u>	<u>5,034</u>

### Operating Leases

In 2019/20, operating lease rentals paid amounted to £3,707k (£3,599k in 2018/19).

Asset Classification	2020	2019
	£000	£000
Land	82	79
Buildings	181	162
EFS Fleet Contract	3,029	2,842
Vehicles, plant and equipment	415	516
	<u>3,707</u>	<u>3,599</u>

The prior year figure for Vehicles, Plant and Equipment has been restated to include additional leases identified during preparatory work for the adoption of IFRS 16. 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	43	133	3,032	401	3,609
Later than one year and not later than five years	171	249	7,594	1,017	9,031
Later than five years *	1,292	992	0	161	2,445
	<u>1,506</u>	<u>1,374</u>	<u>10,626</u>	<u>1,579</u>	<u>15,085</u>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Lessor Rentals

### Operating Leases

The Council leases out property under operating leases largely for economic development purposes. In 2019/20, lease rentals receivable amounted to £2,085k (£2,016k in 2018/19).

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

	Land £000	Buildings £000	Total £000
Not later than one year	87	1,996	2,083
Later than one year and not later than five years	246	5,211	5,457
Later than five years *	561	8,226	8,787
	<u>894</u>	<u>15,433</u>	<u>16,327</u>

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

### Finance Leases

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

## 40. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 has introduced the following changes, amendments and interpretations to existing standards. They are mandatory for the Council's accounting periods beginning on or after 1<sup>st</sup> April 2020 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 require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment of Settlement

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. 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 £12,308k (2018/19 £11,690k) 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 £37,970k (2018/19 £29,544k) that does not meet the definition required for inclusion as a Financial Instrument.

	Long-Term		Current	
	2020 £000	2019 £000	2020 £000	2019 £000
Financial liabilities at amortised cost				
Principal	279,597	272,379	64,690	44,424
Accrued Interest	0	0	2,903	6,030
<b>Borrowing</b>	<b>279,597</b>	<b>272,379</b>	<b>67,593</b>	<b>50,454</b>
Cash overdrawn	0	0	2,591	1,667
<b>Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>2,591</b>	<b>1,667</b>
Finance Leases	3,926	4,479	552	555
<b>Deferred Liabilities</b>	<b>3,926</b>	<b>4,479</b>	<b>552</b>	<b>555</b>
Landfill Aftercare costs	990	990	50	50
Employee Related	0	0	70	62
<b>Provisions</b>	<b>990</b>	<b>990</b>	<b>120</b>	<b>112</b>
Trade Payables	0	0	21,189	24,263
<b>Within Creditors</b>	<b>0</b>	<b>0</b>	<b>21,189</b>	<b>24,263</b>
<b>Total financial liabilities</b>	<b>284,513</b>	<b>277,848</b>	<b>92,045</b>	<b>77,051</b>
Financial assets at amortised cost				
Principal	2,628	2,144	0	0
Accrued Interest	0	0	0	0
<b>Investments</b>	<b>2,628</b>	<b>2,144</b>	<b>0</b>	<b>0</b>
Cash & Cash Equivalents	0	0	30,691	31,906
Accrued Interest	0	0	1,027	96
<b>Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>31,718</b>	<b>32,002</b>
Trade Receivables	9,019	45	18,834	14,301
Loans	46	7,726	0	0
<b>Within Debtors</b>	<b>9,065</b>	<b>7,771</b>	<b>18,834</b>	<b>14,301</b>
<b>Total financial assets</b>	<b>11,693</b>	<b>9,915</b>	<b>50,552</b>	<b>46,303</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2020	2019
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	31,718	32,002
Financial Liabilities - Cash Overdraft	(2,591)	(1,667)
Net Position reported on Balance Sheet	29,127	30,335

### 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:

	2020	2019
	£000	£000
Opening carrying amount of soft loans	5,477	0
New loans made in year	1,949	7,530
Fair value adjustment on initial recognition	(485)	(2,144)
Interest Accrued	80	75
Amounts Repaid	(81)	0
Movement in discounted amount	17	16
	6,957	5,477

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:

	2020			2019		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Measured at Amortised Cost			Measured at Amortised Cost		
	£000	£000	Total £000	£000	£000	Total £000
Interest expense	(13,812)	0	(13,812)	(13,475)	0	(13,475)
<b>Interest payable and similar charges</b>	(13,812)	0	(13,812)	(13,475)	0	(13,475)
Interest income	0	492	492	0	375	375
<b>Interest and investment income</b>	0	492	492	0	375	375
Net gain/(loss)for the year	(13,812)	492		(13,475)	375	

## 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 2020, 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.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- 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	2020		2019	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>					
PWLB	2	267,163	379,870	248,341	356,556
LOBOs	2	18,950	27,477	18,950	27,350
Lease payables	3	4,479	4,056	5,034	4,683
		290,592	411,403	272,325	388,589
<b>Financial Assets</b>					
Certificates of Deposits	2	0	0	0	0

There has been no change in the valuation techniques used during the year for the financial instruments.

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 loans for Vibrant and Viable Places 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 – The majority of 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; as at 31<sup>st</sup> March 2020, 10% of PWLB debt was variable rate, reducing the interest rate risk but increasing budget uncertainty. 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.

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in variable rate debt costs of £290k.



## 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 £4m for long term investments and additional procedures for authorisation by the Corporate Finance Manager.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies. The Council uses the following criteria, and investments are made subject to the monetary and time limits shown.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £311k. 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. A loan has been granted to NEW Homes to build affordable homes for rent in Flint at below market rates of interest. The loan 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 30 year business plan each year. All property assets owned by NEW Homes are provided as security against the loan, at the balance sheet date the value of assets was higher than the value of the loan. All of which serves to mitigate the credit risk posed by NEW Homes failing to meet its obligations to repay the loan.

### Transition to IFRS 9

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main impact of adopting the new standard is to reclassify financial assets to a category called amortised cost which were previously called loans and receivables. The values included on the Balance Sheet and within the Comprehensive Income and Expenditure Note have not changed as a result.

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

## 42. 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 2019/20 the Council paid £10,822k (£8,356k in 2018/19), which represents 20.75% (average) of teachers' pensionable pay (16.48% in 2018/19). The contributions due in 2020/21 are estimated to be £12,135k, 23.26% of teachers' pensionable pay.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 final salary 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	
	2020	2019	2020	2019
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	28,929	25,330	0	0
Past service cost/(gain)	3,031	10,650	0	0
Curtailments/settlements	378	510	0	0
<b>Other Operating Expenditure -</b>				
Administration expenses	676	917	0	0
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	8,221	7,384	1,128	1,225
<b>Net charge to surplus / deficit on the provision of services -</b>	<u>41,235</u>	<u>44,791</u>	<u>1,128</u>	<u>1,225</u>
<b>Other Comprehensive Income and Expenditure</b>				
<b>Remeasurement of the net defined benefit liability -</b>				
Return on plan assets	(32,745)	14,293	0	0
Actuarial gains and (losses) - experience gain or (loss)	(3,363)	0	2,678	0
Actuarial gains and (losses) - demographic assumptions	42,293	0	1,797	0
Actuarial gains and (losses) - financial assumptions	22,500	(50,849)	643	(1,745)
<b>Net charge to other comprehensive income and expenditure -</b>	<u>28,685</u>	<u>(36,556)</u>	<u>5,118</u>	<u>(1,745)</u>
<b>Net charge to Comprehensive Income and Expenditure -</b>	<u>69,920</u>	<u>8,235</u>	<u>6,246</u>	<u>(520)</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	(41,235)	(44,791)	(1,128)	(1,225)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme	23,344	22,346	3,061	3,091
<b>Net debit/(credit) to the movement in reserves statement</b>	<u>(17,891)</u>	<u>(22,445)</u>	<u>1,933</u>	<u>1,866</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020	2019	2020	2019
	£000	£000	£000	£000
Present value of liabilities	(950,686)	(978,105)	(41,448)	(48,499)
Fair value of assets	602,234	618,862	0	0
Surplus/deficit in the scheme	<u>(348,452)</u>	<u>(359,243)</u>	<u>(41,448)</u>	<u>(48,499)</u>

The liabilities total reflects the underlying long-term commitments that the Council has in respect of retirement benefits due. The net liability of £389,900k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020	2019	2020	2019
	£000	£000	£000	£000
1st April	978,108	891,294	48,499	48,620
Current service cost	28,929	25,330	0	0
Interest cost	23,215	22,867	1,128	1,225
Contributions by scheme participants	5,202	4,897	0	0
Actuarial (gains) and losses - Experience gains or losses	3,363	0	(2,678)	0
Actuarial (gains) and losses - Demographic assumptions	(42,293)	0	(1,797)	0
Actuarial (gains) and losses - Financial assumptions	(22,500)	50,849	(643)	1,745
Benefits paid	(26,747)	(28,289)	(3,061)	(3,091)
Past service costs	3,031	10,650	0	0
Curtailments/settlements	378	510	0	0
31st March	<u>950,686</u>	<u>978,108</u>	<u>41,448</u>	<u>48,499</u>

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

	2020	2019
	£000	£000
1st April	618,862	591,049
Interest income	14,994	15,483
Administration Expenses	(676)	(917)
Return on plan assets	(32,745)	14,293
Employer contributions	23,344	22,346
Contributions by scheme participants	5,202	4,897
Benefits paid	(26,747)	(28,289)
31st March	<u>602,234</u>	<u>618,862</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2020		2019	
	£000	£000	£000	£000
Equity investments:				
Global Quoted*	46,524		49,509	
Emerging Markets*	33,421		38,369	
	<u>          </u>	79,945		87,878
Bonds:				
Overseas Other	60,510		68,694	
LDI*	105,438		141,101	
	<u>          </u>	165,948	<u>          </u>	209,795
Property:				
UK*	40,045		34,037	
Overseas	2,626		6,807	
	<u>          </u>	42,671	<u>          </u>	40,844
Cash:				
Cash Accounts*	8,047		1,238	
	<u>          </u>	8,047	<u>          </u>	1,238
Alternatives:				
Hedge Funds	46,812		46,415	
Private Equity	82,654		71,169	
Infrastructure	39,531		22,279	
Timber & Agriculture	6,936		7,426	
Private Credit	14,490		10,521	
DGF	115,200		121,297	
	<u>          </u>	305,623	<u>          </u>	279,107
		<u>          </u>		<u>          </u>
		602,234		618,862

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

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

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 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	
	2020	2019	2020	2019
<b>Mortality Assumptions</b>				
Longevity at 65 for current pensioners -				
Men	22.5yrs	23.2yrs	22.5yrs	23.2yrs
Women	24.9yrs	25.7yrs	24.9yrs	25.7yrs
Longevity at 65 for future pensioners -				
Men	24.1yrs	25.9yrs	n/a	n/a
Women	26.9yrs	28.4yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.1%	2.2%	2.1%	2.3%
Rate of increase in salaries	3.4%	3.5%	n/a	n/a
Rate of increase in pensions	2.2%	2.3%	2.2%	2.4%
Rate for discounting scheme liabilities	2.4%	2.4%	2.4%	2.4%

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

	Impact of Increase on Defined Benefit Obligation	Impact of Decrease on Defined Benefit Obligation
	£000	£000
Longevity (increase / decrease in 1 year)	(27,206)	27,206
Rate of inflation (increase / decrease by 0.1%)	(16,567)	16,567
Rate of increase in salaries (increase / decrease by 0.1%)	(1,730)	1,730
Discount Rate (increase / decrease by 0.1%)	16,293	(16,293)
Change in 19/20 Investment Returns (increase/decrease by 1%)	6,081	(6,081)

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 as at that date; equivalent to a funding level of 91%. The scheme's employers are paying additional contributions over a period of up to 13 years in order to meet the shortfall.

The total contributions expected to be made to the LGPS by the Council in the year to 31<sup>st</sup> March 2021 is £21.34m.

The duration of the defined benefit obligation for LGPS members is 17 years 2019/20 (18 years 2018/19).

## 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 estimated impact of the McCloud judgement was included in the Council's accounts in 2018/19, based on general assumptions provided by the Government Actuary's Department at the time. The 2019/20 IAS 19 calculations include the current estimated impact of McCloud, and any difference between the two years is dealt with as an experience gain or loss, as would any other difference as a result of changes in assumptions between accounting years. Any estimated liability from the current employment of scheme members arising from the impact of McCloud is included in the current service cost. At 31<sup>st</sup> March 2020 the Government has not indicated the final remedy for McCloud but has confirmed that the remedy will impact on the LGPS pension scheme.

### Guaranteed Minimum Pension (GMP)

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

There is a second issue in relation to GMP which means that there is a possibility that all public sector schemes will be required to index link GMP benefits for members who reach their State Pension Age after April 2021. The potential impact on the Council has been estimated at £3,026k, and is included above in the Comprehensive Income and Expenditure Statements as a past service cost which increases the Council's pension liability by the same amount.

### The potential impact of COVID-19

During March 2020 the full extent of the COVID-19 pandemic was becoming apparent, causing some turmoil in equity markets around the world. This gives rise to a risk that some asset valuations used in the IAS 19 disclosures (which produce the estimates of the pension deficit shown in the Balance Sheet, and the entries in the Comprehensive Income and Expenditure Statement relating to pension movements in year) might be misstated. This is because in some cases March valuations are unavailable when the IAS 19 disclosures are produced. Instead, valuations for earlier periods are used, adjusted for known differences. This is normal practice, but given the impact of COVID-19 the risk of significant difference between the valuations used for the IAS calculations and the finalised March valuations is considered to be higher. In addition, the nature of the asset holding of the Clwyd Pension Fund is such that around 31% of the assets attributed to the Council, £186m, are investments in private markets making them harder to value. The Council discussed this with the Clwyd Pension Fund and the Fund's actuary advised that in their view the valuations are as accurate as is possible given the constraints posed by the timescales for the production of IAS 19 calculations, and that any differences to March valuations confirmed later in the year are unlikely to be material.

The risk that the impact of COVID-19 will affect economic factors such as the valuation of assets, currency markets, interest rates and inflation rates remains high. Since these factors are used to inform the IAS actuarial calculations in respect of both assets and liabilities, this may have an impact on the calculation of the pension deficit in the future.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reduction in Deficit

The Clwyd Pension Fund assets attributed to the Council have reduced in value from £618,862m as at 31st March 2019 to £602,234m as at 31st March 2020. However the liabilities have also fallen, from £978,105m to £950,686m over the same period, leading to a reduction of £10,719m in the Pension Fund deficit.

Asset values are based on the latest asset valuations available to the actuary, and additional risks to the accuracy of these valuations as a result of COVID-19 are discussed in the paragraph above. With regard to liabilities, this note includes a reconciliation of the present value of the scheme liabilities, which is shown above. Key factors leading to the reduction in the liabilities include a change in the mortality rate as a result of a reduction in expected future life expectancy, a reduction in the assumption of the level of inflation, and an assumption that there will be continuing pay restraint in the public sector over the four years to April 2023 (i.e. the life of the latest actuarial valuation).

### 43. POOLED BUDGETS FOR HEALTH AND SOCIAL CARE

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

Income and expenditure for these pooled budget arrangements for the year ending 31st March 2020 are as follows; the contributions for Q4 are included for information only and have not been accrued in each partners' accounts. As per the Partnership Agreement, these payments will be made in arrears during 2020/21.

	2020
	£000
<b><u>Care Homes for Older People</u></b>	
<b><u>Expenditure</u></b>	
Care Home costs	93,903
<b>Total Expenditure</b>	<b><u>93,903</u></b>
<b><u>Funding</u></b>	
Denbighshire County Council	(9,041)
Conwy County Borough Council	(13,417)
Flintshire County Council	(8,916)
Wrexham County Borough Council	(11,059)
Gwynedd Council	(7,839)
Isle of Anglesey County Council	(5,075)
Betsi Cadwaladr University Health Board	(38,556)
<b>Total Funding</b>	<b><u>(93,903)</u></b>
(Surplus) / Deficit transferred to Reserve	0

## HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE AND MOVEMENT ON RESERVES STATEMENTS

for the year ended 31<sup>st</sup> March 2020

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.

	2020		2019	
	£000	£000	£000	£000
<b>Expenditure</b>				
Repairs and maintenance		7,429		7,239
Management and supervision		4,685		3,962
Specialist Services		1,497		1,556
Rents, rates, taxes and other charges		67		65
Depreciation and impairment of non-current assets		33,929		30,415
Debt management costs		47		44
Increase in bad debt provision		483		548
Total expenditure		<u>48,137</u>		<u>43,829</u>
<b>Income</b>				
Dwelling rents (gross)	35,263		33,395	
Non-dwelling rents (gross)	<u>418</u>		<u>403</u>	
		35,681		33,798
Charges for services and facilities		1,229		1,190
Reimbursement of Costs		3		0
Contribution towards expenditure		239		160
Total income		<u>37,152</u>		<u>35,148</u>
<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>10,985</b>		<b>8,681</b>
<b>Other Operating Expenditure</b>				
Net (gain) / loss on the disposal of non-current assets		0		(76)
Admin. expenses on the net defined benefit liability		40		54
<b>Financing and Investment Income and Expenditure</b>				
Interest payable and similar charges		5,096		4,985
Net interest on the net defined benefit liability (see note 42)		526		481
<b>Total (surplus) / deficit for the year on HRA services</b>		<b><u>16,647</u></b>		<b><u>14,125</u></b>

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)	2020 £000	2019 £000
At 1st April		2,221	1,918
Surplus/(deficit) on the HRA income and expenditure statement		(16,647)	(14,125)
<b>Total comprehensive income and expenditure</b>		<u>(16,647)</u>	<u>(14,125)</u>
Adjustments between accounting and funding basis under regulations	7	17,315	14,428
<b>Increase/(decrease) in year on the HRA</b>		<u>668</u>	<u>303</u>
At 31st March		<b><u>2,889</u></b>	<b><u>2,221</u></b>

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

### 1. LEGISLATION

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

### 2. HOUSING STOCK

The type and number of dwellings at 31<sup>st</sup> March 2020 were:-

Type	2020 No.	2019 No.
Houses	4,098	4,076
Flats	1,376	1,378
Maisonettes	10	10
Bungalows	1,797	1,798
	<u>7,281</u>	<u>7,262</u>

### 3. RENT ARREARS

The rents total of £1,586k (£1,783k in 2018/19) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

Analysis of arrears	2020 £000	2019 £000
<b>Rents</b>		
Current tenants	1,570	1,630
Former tenants	16	153
	<u>1,586</u>	<u>1,783</u>
<b>Provision for impairment losses (bad debts)</b>	<b>£000</b>	<b>£000</b>
Opening provision	645	578
Written off in year	(625)	(476)
Increase in provision	448	543
	<u>468</u>	<u>645</u>

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

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Expenditure and Financing

HRA capital expenditure of £29,782k was incurred as follows; £0k - Land, £27,618k - Council Dwellings, £2,164k - Assets Under Construction, £0k – equipment, (£27,033k in 2018/19). Financed as follows:-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	236	6,390	14,776	8,380	29,782
	236	6,390	14,776	8,380	29,782

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£6,390k) is the 2019/20 MRA allocation figure of £5,060k (£5,065k in 2018/19). The MRA allocation figure is included within the government grants – general line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2019/20 in financing qualifying capital expenditure.

#### Capital Receipts

Gross capital receipts of £0k (£147k in 2018/19) were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2020 £000	2019 £000
Council dwellings	0	61
Shared Ownership Sales	0	86
Land sales	0	0
	0	147

#### Depreciation

Straight line depreciation is provided for on all HRA non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,368k (£5,308k in 2018/19) is based on the 2019/20 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2020 £000	2019 £000
Dwellings	5,040	5,045
Garages	20	20
Other Land & buildings	118	53
Plant and equipment	190	190
	5,368	5,308

#### Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA impairment adjustment total of £28,560k was accounted for in 2019/20 (£25,264k in 2018/19). No revenue expenditure funded from capital under statute was accounted for in 2019/20 (£0k in 2018/19).

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

### 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:-

	2020		2019	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	1,587		1,382	
Curtailments/settlements	<u>0</u>		<u>0</u>	
<b>Other Operating Expenditure -</b>		1,587		1,382
Administration expenses	<u>40</u>		<u>54</u>	
<b>Financing and Investment Income and Expenditure</b>		40		54
Net interest expense	<u>526</u>		<u>481</u>	
<b>Total HRA Charge</b>		<u>2,153</u>		<u>1,917</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		(2,153)		(1,917)
<b>Actual amount charged against the HRA balance for pensions in the year:</b>				
Employers' contributions payable to scheme		1,367		1,305

## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31<sup>st</sup> March 2020. 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 2019/20 (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 2020. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. In particular:-

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

### Borrowing Costs

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

### Capital Receipts

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

### Cash and Cash Equivalents

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

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

### Charges to Revenue for Non Current Assets

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

- 2% of debt outstanding for the Housing Revenue Account.
- 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.
- 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 based on the expected useful life of the asset using the annuity method.

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 36.

### **Employee Benefits**

#### ***Benefits Payable during Employment***

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

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

#### ***Termination Benefits***

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

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

## STATEMENT OF ACCOUNTING POLICIES

### ***Post Employment Benefits***

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

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

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

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

### ***The Local Government Pension Scheme***

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven 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 Corporate and Central 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 Corporate and Central Finance Service Portfolio.



## STATEMENT OF ACCOUNTING POLICIES

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

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

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

### ***Discretionary Benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (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 categorized within the fair value hierarchy, as follows:-

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

### **Financial Instruments**

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

### ***Financial Liabilities***

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

### **Financial Assets**

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

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

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

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

### **Financial Assets Measured at Amortised Cost**

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

### **Government Grants and Contributions**

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

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

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

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

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

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

### **Heritage Assets**

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

#### ***Historical Buildings***

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

#### ***Operational***

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

## STATEMENT OF ACCOUNTING POLICIES

### ***Non-Operational***

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

### ***Collections:-***

#### ***County Archives***

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

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

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

#### ***County Museum***

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

### ***Intangible Assets***

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

	Years
Software licences	5
Development expenditure	7

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

### Interest Charges

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

### Inventory

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

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

All other stock is measured at cost.

### Investments

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

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

### Investment Property

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

### **Joint Committees**

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

### **Leases**

#### ***Finance Leases***

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

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

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

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

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

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

#### ***Operating Leases***

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

### Property, Plant and Equipment

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

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:-

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

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

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



## STATEMENT OF ACCOUNTING POLICIES

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

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

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

### Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio as at 1<sup>st</sup> April each year; in 2019/20 approximately 29% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards Global and UK Edition (January 2014). 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:-

	<b>Years</b>
Buildings	50
Vehicles, plant, furniture and equipment	3-10
Infrastructure assets	40

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

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

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

### Componentisation

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### **Derecognition of Property, Plant and Equipment**

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

### **Disposals and Non-Current Assets Held for Sale**

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

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

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

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

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

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

#### Schools

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

#### Non-current Assets - Schools

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

## STATEMENT OF ACCOUNTING POLICIES

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

### **Subsidiaries**

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

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

### **Reserves**

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

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

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

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

### **Value Added Tax**

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

## GROUP ACCOUNTS

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

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

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

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

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

The Group Accounts include:

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

### NEW Homes

NEW Homes was established on 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 115 units across Flintshire. These are made up of a combination of newly built properties developed through the Council's Strategic Housing and Regeneration Programme (SHARP) and properties negotiated with developers through Section 106 agreements. 45 properties have been donated by private developers for £1 each 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 £7,481k. The remaining 70 properties are new build affordable homes for rent in Flintshire. The total value of these properties in the NEW Homes Balance Sheet is £9,182k.

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 228 by 2022/23.

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

Newydd Catering & Cleaning Ltd a new 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)

### **Theatr Clwyd Productions Ltd**

Theatr Clwyd Productions was incorporated on 22<sup>nd</sup> Dec 2015 as a Company limited by shares with the Council owning all of the shares, 1 at £1 par value. The company was established for the theatre to produce its own productions operating under the advantages available to Theatrical Production Companies.

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

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

### **Risk Management**

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

The performance of New Homes and Newydd is scrutinised by the appropriate Council scrutiny board. The subsidiaries are subject to Internal 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 74 to 89. Where the subsidiaries accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2020

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2019</b>	27,334	25,301	52,635	6,831	59,464	2,362	61,826
Total comprehensive income and expenditure	(24,260)	(16,647)	(40,907)	54,156	13,249	7,033	20,282
Adjustments between group accounts and authority accounts	(6,491)	599	(5,892)	0	(5,892)	(5,924)	(11,816)
<b>Net increase/(decrease) before transfers</b>	<b>(30,751)</b>	<b>(16,048)</b>	<b>(46,799)</b>	<b>54,156</b>	<b>7,357</b>	<b>1,109</b>	<b>8,466</b>
Adjustments between accounting and funding basis under regulations	27,736	20,314	48,050	(48,050)	0	0	0
<b>Increase/(decrease) in year</b>	<b>(3,015)</b>	<b>4,266</b>	<b>1,251</b>	<b>6,106</b>	<b>7,357</b>	<b>1,109</b>	<b>8,466</b>
<b>At 31st March 2020</b>	<b>24,319</b>	<b>29,567</b>	<b>53,886</b>	<b>12,936</b>	<b>66,821</b>	<b>3,471</b>	<b>70,292</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2019

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2018</b>	28,575	20,837	49,412	65,606	115,016	2,037	117,053
Total comprehensive income and expenditure	(19,271)	(14,125)	(33,396)	(29,585)	(62,981)	6,884	(56,097)
Adjustments between group accounts and authority accounts	6,957	472	7,429	0	7,429	(6,559)	870
<b>Net increase/(decrease) before transfers</b>	<b>(12,314)</b>	<b>(13,653)</b>	<b>(25,967)</b>	<b>(29,585)</b>	<b>(55,552)</b>	<b>325</b>	<b>(55,227)</b>
Adjustments between accounting and funding basis under regulations	11,073	18,117	29,190	(29,190)	0	0	0
<b>Increase/(decrease) in year</b>	<b>(1,241)</b>	<b>4,464</b>	<b>3,223</b>	<b>(58,775)</b>	<b>(55,552)</b>	<b>325</b>	<b>(55,227)</b>
<b>At 31st March 2019</b>	<b>27,334</b>	<b>25,301</b>	<b>52,635</b>	<b>6,831</b>	<b>59,464</b>	<b>2,362</b>	<b>61,826</b>



## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2020

	2020			2019		
	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	2,847	(249)	2,598	2,707	(147)	2,559
Education & Youth	156,546	(30,909)	125,637	127,529	(27,514)	100,015
Governance	12,483	(2,820)	9,663	11,871	(2,146)	9,725
Housing & Assets	53,381	(37,593)	15,789	60,394	(41,429)	18,965
People & Resources	5,032	(336)	4,697	4,757	(365)	4,392
Planning, Environment & Economy	12,195	(5,687)	6,509	10,858	(4,790)	6,068
Social Services	95,034	(22,249)	72,785	90,093	(21,064)	69,029
Strategic Programmes	8,017	(551)	7,466	10,842	(517)	10,325
Streetscene & Transportation	59,097	(20,718)	38,379	48,555	(10,778)	37,777
Central & Corporate Finance	13,806	(1,011)	12,795	18,016	(3,224)	14,792
Housing Revenue Account	48,137	(37,152)	10,985	43,829	(35,148)	8,681
Clwyd Theatr Cymru	5,516	(5,335)	181	5,721	(5,553)	167
<b>Cost of services</b>	<b>472,092</b>	<b>(164,608)</b>	<b>307,484</b>	<b>435,171</b>	<b>(152,675)</b>	<b>282,495</b>
Other Operating Expenditure			28,630			26,765
Financing and Investment Income and Expenditure			21,858			20,516
Taxation and Non-Specific Grant Income			(309,668)			(302,797)
<b>(Surplus)/deficit on the provision of services</b>			<b>48,304</b>			<b>26,979</b>
Tax expenses of subsidiary			(297)			(165)
<b>Group (Surplus)/deficit</b>			<b>48,007</b>			<b>26,814</b>
(Surplus)/deficit arising on revaluation of non-current assets			(20,353)			(9,539)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			(132)			(107)
Actuarial (gains) or losses on pension assets and liabilities			(34,247)			38,929
<b>Total comprehensive income and expenditure</b>			<b>(6,725)</b>			<b>56,097</b>

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2020

		2020		2019	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>					
Council dwellings		199,322		203,171	
Other land and buildings		353,055		328,981	
Vehicles, plant, furniture and equipment		12,208		14,038	
Surplus assets		6,037		7,082	
Infrastructure assets		157,021		156,782	
Community assets		4,789		4,721	
Assets under construction		9,872		25,064	
<b>Total Property, Plant &amp; Equipment</b>	<b>1</b>	<b>742,304</b>		<b>739,839</b>	
Investment properties and Agricultural Estate		24,956		27,035	
Intangible assets		10		25	
Long term investments		(1)		0	
Long term debtors		3,253		3,196	
<b>NON-CURRENT ASSETS TOTAL</b>		<b>770,522</b>		<b>770,095</b>	
<b>CURRENT ASSETS</b>					
Inventories		985		1,151	
Short term debtors (net of impairment provision)		53,708		42,368	
Short term investments		60		100	
Cash and cash equivalents		31,692		32,009	
Assets held for sale		926		1,113	
Current tax asset		0		0	
<b>CURRENT ASSETS TOTAL</b>		<b>87,371</b>		<b>76,741</b>	
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months		(67,593)		(50,454)	
Short term creditors		(32,460)		(35,488)	
Provision for accumulated absences		(3,178)		(2,666)	
Deferred liabilities		(552)		(555)	
Grants receipts in advance		(1,080)		(1,815)	
Provisions		(1,716)		(1,407)	
Current Tax Liability		0		0	
<b>CURRENT LIABILITIES TOTAL</b>		<b>(106,579)</b>		<b>(92,385)</b>	
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors		(1,052)		(1,532)	
Long term borrowing		(279,597)		(272,379)	
Deferred liabilities		(3,926)		(4,491)	
Provisions		(990)		(990)	
Other long term liabilities		(394,718)		(412,231)	
Grants receipts in advance		(739)		(1,002)	
Deferred Tax Liability		0		0	
<b>NON-CURRENT LIABILITIES TOTAL</b>		<b>(681,022)</b>		<b>(692,625)</b>	
<b>NET ASSETS</b>		<b>70,292</b>		<b>61,826</b>	

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2020

		2020		2019	
	Note	£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital receipts reserve		18,367		15,945	
Capital grants unapplied		8,311		7,135	
Council fund		11,025		14,020	
Profit and Loss Reserve		(2,403)		(2,743)	
Earmarked reserves		13,294		13,314	
Housing revenue account		2,889		2,221	
<b>USABLE RESERVES TOTAL</b>			51,483		49,892
<b>UNUSABLE RESERVES</b>					
Revaluation reserve		125,562		110,394	
Capital adjustment account		291,957		317,944	
Financial instruments adjustment account		(5,730)		(6,091)	
Pensions reserve		(389,900)		(407,745)	
Deferred capital receipts		98		98	
Accumulated absences account		(3,178)		(2,666)	
<b>UNUSABLE RESERVES TOTAL</b>			18,809		11,934
<b>TOTAL RESERVES</b>			<u>70,292</u>		<u>61,826</u>

## GROUP CASH FLOW STATEMENT

for the year ended 31<sup>st</sup> March 2020

	2020		2019	
	£000	£000	£000	£000
Net surplus or (deficit) on the provision of services	(47,549)		(26,529)	
Adjustment to surplus or deficit on the provision of services for non-cash movements	77,264		77,582	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(32,955)</u>		<u>(34,124)</u>	
Net cash flows from operating activities		(3,240)		16,929
Net cash flows from investing activities	(25,956)		(35,196)	
Net cash flows from financing activities	<u>28,878</u>		<u>17,915</u>	
<b>Net increase or decrease in cash and cash equivalents</b>		<u>2,922</u> (318)		<u>(17,281)</u> (352)
Cash and cash equivalents at the beginning of the reporting period		32,010		32,361
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>31,692</b>		<b>32,009</b>

## NOTES TO THE GROUP ACCOUNTS

### 1. PROPERTY, PLANT AND EQUIPMENT

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

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
<b>Net Book Value at 31st March 2019</b>					
Council Dwellings	203,171	0	0	0	203,171
Other land and buildings	315,377	13,604	0	0	328,981
Vehicles, plant, furniture and equipment	13,956	0	82	0	14,038
Surplus assets	7,082	0	0	0	7,082
Infrastructure assets	156,782	0	0	0	156,782
Community assets	4,721	0	0	0	4,721
Assets under construction	24,282	782	0	0	25,064
	<b>725,371</b>	<b>14,386</b>	<b>82</b>	<b>0</b>	<b>739,839</b>

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

To be inserted following financial audit by external auditors.

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

To be inserted following financial audit by external auditors.

**2019/20**

Flintshire County Council – Annual Governance Statement



# 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.
- 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.
- 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.
- conscientious in planning and managing its activities, and making decisions, in a sustainable way.

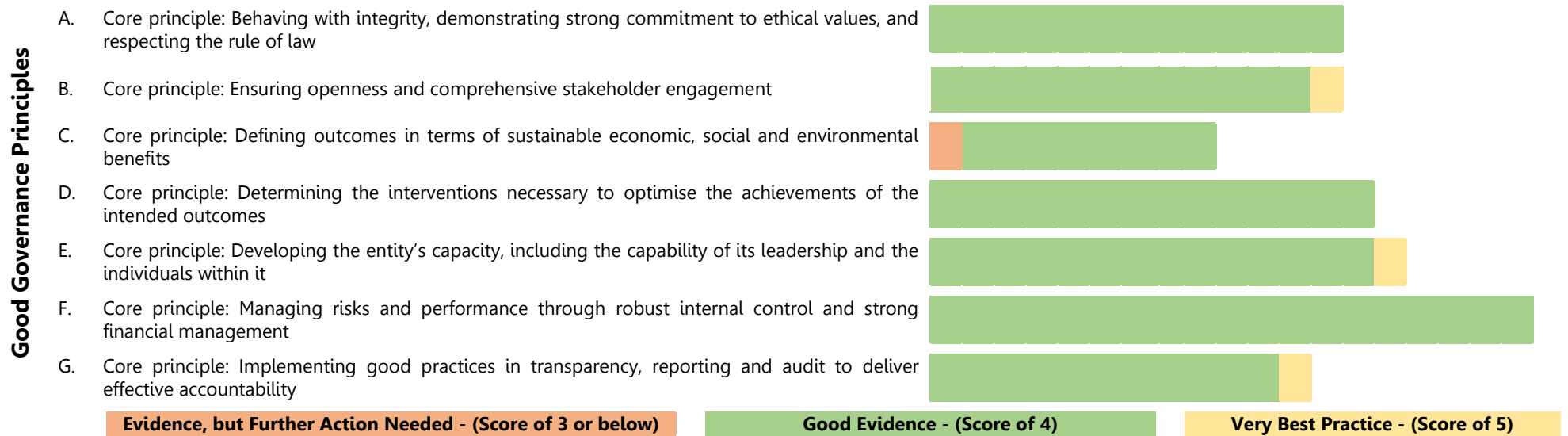
We are committed to specific values and principles in working with our key partners and partnerships. These cover strategic partnerships such as with the Public Services Board and with the third sector such as agreeing a set of Voluntary Sector Funding principles.

In previous years the Council's Annual Governance Statement has covered the Clwyd Pension Fund. From 2018/19 the Clwyd Pension Fund have produced their own Annual Governance Statement which will be presented to the Clwyd Pension Fund Board for consideration and approval.

The last quarter of 2019/20 has seen the growing Impact of the Corona Virus/COVID-19 emergency. The 'lock down' period commenced on 23<sup>rd</sup> March. However, our Chief and Senior Officers had already been planning our emergency response and the implications for our services as the gravity of the situation became apparent, commencing at the start of February. This had an immediate and significant impact as the Emergency Management Response Team (EMRT), led by the Chief Executive worked through significant changes to our working lives and culture. The emergency situation came at the end of the financial year; its impact for 2020/21 will be much more significant, resulting in significant changes to how we work and serve the people of Flintshire.

Following the Cabinet meeting on 17<sup>th</sup> March, a decision was made to cancel all of our formal meetings and events, initially until the end of April 2020.

## Dashboard : Effectiveness of the Council’s Governance Framework



### Further Action Required:

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

### Areas of Very Best Practice:

- Ensuring partnerships are based on trust and shared commitment
- Recognising the benefits of partnership and collaboration
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations in an open and embracing manner.

### Annual Internal Audit Opinion 2019/20:

“For the year ending 31 March 2020, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and control”.

**Internal Audit Manager, Flintshire County Council**

# What is the Annual Governance Statement?

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

In this document, we, the Council:

- Acknowledge our responsibility for ensuring that there is a sound system of governance;
- summarise the key elements of that governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describe how we have monitored and evaluated the effectiveness of our governance arrangements in year, and any planned changes in the coming period;
- provide details of how we have responded to any issue(s) identified in last year's governance statement; and
- report on any significant governance issues identified from this review and provides 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 2019/20 and up to the date of approval of the statement of accounts.

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

The initial review of our governance framework was carried out by the Corporate Governance Working Group. This group worked with each corporate Chief Officer and also for some specific governance functions such as finance, human resources and legal. Our approach was based on the seven principles that follow in the main part of this document and were assessed to identify any areas for improvement. Questionnaires were also completed by the Chairs of Overview and Scrutiny committees. In addition the Audit Committee undertakes a self-assessment of its own effectiveness which has also informed this work.

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

In preparing the Annual Governance Statement, we have:

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

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in pages 7-14 of the document. Principles assessed as needing further improvement are detailed from page 17.

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

## What are the key principles of the Corporate Governance Framework?

We aim to achieve good standard of governance by adhering to the seven key principles of the new 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 entity's capacity, including the capability of its leadership and the individuals within it |
| Principle F | Managing risks and performance through robust internal control and strong public financial management      |
| Principle G | Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |

# ANNUAL GOVERNANCE STATEMENT

## Principle A

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

### Sub Principles:

#### Behaving with Integrity

#### Demonstrating strong commitment to ethical values

#### Respecting the rule of law

### How we do this:

- The behaviour and expectations of Members and Officers are set out in our Codes of Conduct, Constitution, and a suite of policies and procedures relating to Officers and Member induction, supervision, training and appraisals and leadership competencies.
- Case management both for Members and Officers.
- Codes of Conduct for Members and Officers specify the requirements around declarations of interests formally and at the beginning of meetings, gifts and hospitality etc
- **We take fraud seriously. Key policies are in place to prevent, minimise and manage such occurrences. Polices include:**
  - Whistleblowing Policy
  - Anti-Fraud and Corruption Strategy
  - Fraud Response Plan
  - Financial and Contract Procedure Rules
- Compliance with policies and protocols e.g. Contract Procedure Rules
- Enhanced profile of Internal Audit

- A set of leadership competencies are deployed in each Portfolio and led by each Chief Officer.
- Our recruitment policy, training and competencies based appraisal processes underpin personal behaviours with ethical values.
- **Robust policies and procedures are in place, subject to formal approval prior to adoption by formal committees.**
- **All contracts and external service providers, including partnerships are engaged through the robust procurement process and follow the Contract Procedure rules regulations.**
- **Application of the corporate operating model; our way of being organised, working internally to promote high standards of professional performance and ethical behaviour to achieve organisational priorities and objectives.**

- We ensure that statutory and other key officers and Members fulfil legislative and regulatory requirements through a robust framework which includes: Scheme of delegation; induction, development and training of existing and new requirements; application of standing operating procedures; and engagement of early / external advice where applicable.
- **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 and to benefit citizens, communities and other stakeholders e.g. alternative delivery models (ADM)**
- Effective Anti-Fraud and Corruption framework supported by a suite of policies; any breaches are handled in accordance with key legislative provision and guidance from appropriate bodies.
- **Our Monitoring Officer is responsible for ensuring the Council complies with the law and avoids maladministration. Our Constitution & Democratic Services Committee promotes high standards of conduct which are monitored by the Standards Committee**

Green = Chief Officer assessed as being consistently well across the Council

# ANNUAL GOVERNANCE STATEMENT

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Sub Principles:

##### Openness

##### Engaging comprehensively with institutional stakeholders

##### Engaging stakeholders effectively, including individual citizens and service users

#### How we do this:

- We are committed to having an open culture. This is demonstrated by:
    - Complaints and Compliments Procedure
    - Meetings are conducted in an open environment
    - Our Council website
  - The most appropriate and effective interventions / courses of action are determined using formal and informal consultation and engagement supported by:
    - Public consultation around the Medium Term Financial Strategy (MTFS)
    - Consultation principles, e.g. School Modernisation Programme
    - Formal and informal engagement models with employee and communities e.g. alternative delivery models Member workshops
    - County Forum (Town and Community Councils)
- Positive engagement with Trade Unions both formally and informally

- We engage effectively with stakeholders to ensure successful and sustainable outcomes by:
  - Effective application and delivery of communication strategies to support delivery
  - Targeting communications and effective use of Social Media
  - Formal and Informal meetings with key stakeholder groups
  - Effective stakeholder engagement on strategic issues
  - Service led feedback questionnaires and events
- Effective use of resources and achievement of outcomes is undertaken by the Council both through informal and formal partnerships:
  - Extensive range of partnerships to support the delivery of the Council's strategic priorities, including the Public Services Board
  - Open and productive partnership arrangements supported by an effective governance framework
  - Trust and good relations lead to delivery of intended outcomes e.g. community asset transfers
  - Partner representation at Scrutiny committees

- 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. This includes:
  - Range of customer channels
  - Undertaking Impact assessments
  - Results from satisfaction surveys to enhance service delivery where applicable
  - Complaints reviewed to assess organisational learning and change
  - Sharing soft intelligence and good practice
  - Committee reports portray all relevant feedback
  - **Services are assessed for value for money and opportunities for efficiencies**
  - **Taking account of the interests of future generations of tax payers and service users**
- We have appropriate structures in place to encourage public participation governed through the Communication and Social Media Policies. These include:
  - E-newsletters
  - The Council's website
  - Tenants Forums
  - Service user groups
  - Quality circles
  - Use of infographics



# ANNUAL GOVERNANCE STATEMENT

## Principle C

### Defining outcomes in terms of sustainable economic, social, and environmental benefits

#### Sub Principles:

##### Defining outcomes

##### Sustainable economic, social and environmental benefits

#### How we do this

- **We have a clear vision describing the organisation's purpose and intended outcomes which is achieved through:**
  - **Linking of vision and intent to the MTFs which links to the Council Plan, Portfolio Business Plans and other plans and strategies with a focus on priorities for change and improvement**
  - **Organisational objectives are delivered through Programme Boards and political decision making processes**
  - Service Planning consideration including sustainability of service delivery
- Risk Management is applied consistently at project, partnership and business plan levels using the corporate performance system (CAMMS) which adheres to the Risk Management Policy and Strategy and ensures consistent application of risk registers and terminology.
- **Risk appetite is also considered whilst developing future scenarios and options with key staff.**
- 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.

- We take a longer term view and balance the economic, social and environmental impact of policies, plans etc. along with the wider public interest when taking decisions about service provision. This is supported by a range of governance approaches:
  - **Budget setting of the Capital Programme and MTFs and longer term business planning through the use of effective forecasting models**
  - **Setting longer term objectives regardless of political term**
  - **Delivering defined outcomes**
  - **Multi-disciplinary approach to policy development and wider public interest of economic, social and environment issues e.g. Welfare Reform, Corporate Safeguarding**
  - **Ensuring fair access to services**
  - Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts.
  - Communication plans for public and community engagement
  - Clear documented record of route to change

# ANNUAL GOVERNANCE STATEMENT

## Principle D

### Determining the interventions necessary to optimise the achievement of the intended outcomes

#### Sub Principles:

##### Determining interventions

##### Planning interventions

##### Optimising achievement of intended outcomes

#### How we do this

- Good judgement in making decisions is achieved by ensuring decision makers receive objective and rigorous analysis of information and options to achieve intended outcomes including the related risks. This is achieved by:
  - **Full engagement with members on a longer term basis e.g. MTFS and Business Plans**
  - **Delivery of the MTFS and revenue and capital budget setting process providing options for the public, stakeholders and members to be engaged to consider modifications**
  - Development of forecasting models
  - Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways
  - **Clear option appraisals detailing impacts, savings and risks to ensure best value is achieved**
  - Budget monitoring for each Portfolio and corporate considerations
  - **Managing expectation for key stakeholders**
  - Other key workforce strategies e.g. digital and procurement
  - Application of Impact Assessments

- We have established and implemented robust planning and control cycles covering strategic and business plans, priorities, targets, capacity and impact. This is achieved through:
  - Co-design of service solutions with key stakeholders
  - **Application of risk management principles when working in partnership and collaboratively and the active use of risk registers**
  - **Regular monitoring of business planning, efficiency and reliability including feedback on business planning model**
- **Service performance is measured through national performance indicators and establishing a range of local indicators, which are regularly monitored, reported and used for benchmarking purposes**
- **Robust and inclusive methodologies are in place to formulate the MTFS which is an integral part of the Council's governance framework and Portfolio Business plans are linked to the Council Plan**

- Resource requirements for the services are identified through the business planning process and detailed within the MTFPs highlighting any shortfall in resources and spending requirements.
- **To ensure the budget process is all-inclusive, taking into account the full cost of the operations over the medium and longer term, regular engagement and ownership of the budget through the Chief Officer Team and consultation with members through workshops and robust scrutiny process is undertaken.**
- Social values are achieved through the effective commissioning of services and compliance with Council procedures.
- Consultation and engagement around the content of the MTFS through public and employee events sets the context for residents and employees. In particular relating to ongoing decisions on significant delivery issues or responses to changes in the external environment

## ANNUAL GOVERNANCE STATEMENT

### Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

#### Sub Principles:

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

#### How we do this:

- We review our operations, performance, and use of assets on a regular basis to ensure their continuing effectiveness by:
  - Review of service delivery, performance and risks through team meetings and quarterly formal reporting,
  - Programme boards' development and monitoring
- We review the sufficiency and appropriateness of resource allocation through techniques such as:
  - Benchmarking both internal and external review undertaken to identify improvements in resource allocation, including the use of national and local PIs
  - Internal challenge
- Benefits of collaborative and partnership working both regionally and nationally to ensure added value is achieved by linking services and organisation priorities to partnership working
- Develop and maintain the workforce plan to enhance the strategic allocation of resources through the publication of regular workforce data reports and drawing intelligence from supervision and appraisal meetings.
- Future workforce and succession planning is undertaken in each portfolio to identify future workforce capability and progression.

- 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
  - 'Development workforce' and 'leadership capacity' and 'managing performance' are three of the five priorities within the People Strategy 2016-2019
  - The Leader of the Council and the Chief Executive have clearly defined and distinct leadership roles
- Individual and organisational requirements are supported through:
  - Corporate induction for new employees to the Council
  - Inductions for employees in new jobs
  - Continued learning and development for employees identified through the competency based appraisal system and one to one meetings
  - A comprehensive range of training and development opportunities available, in partnership with Coleg Cambria and professional bodies.
  - Feedback and shared learning to the organisations both through reports and interactive sessions such as the 'Academi'
- To support and maintain the physical and mental wellbeing of the workforce a range of interventions is provided including: Occupational Health Service, Signposting employees and Members to Care First (independent Counselling support), Management Awareness and Support, internal training and awareness sessions to support stress related absences

# ANNUAL GOVERNANCE STATEMENT

## Principle F

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

### Sub Principles:

Managing risk

Managing performance

Robust internal control

Managing data

Strong public financial management

### How we do this:

- Risk Management is an integral part of all activities and decision making through:
  - **Application of risk management policy and strategy**
  - Identification of all risks and appropriate mitigations and transitional plans reported to Committees
  - **Clear allocation of management for risk responsibility with oversight by senior management and chief officers**
  - **Assurance by Internal Audit and Audit Committee**
  - Established the Chair and Vice Chair Liaison Group

- **Members and senior management are provided with regular reports on service performance against key performance indicators and milestones against intended outcomes**
- **Members are clearly and regularly informed of the financial position and implications including environmental and resource impacts**

- **Internal Audit provides the Council, through the Audit Committee, with an annual independent and objective opinion on the adequacy and effectiveness of the Council's internal control, risk management, governance arrangements and associated policies.**
- We are dedicated to tackling fraud as detailed within the Anti-Fraud and Corruption Strategy, Fraud Response Plan, and Whistleblowing Policy

- We have **effective strategic direction, advice and monitoring of information management with clear policies and procedures on personal data and provides regular training to ensure compliance with these.**
- We appropriate Information Sharing Protocols to be in place in respect of all information shared with other bodies.
- **The quality and accuracy of data used for decision making and performance monitoring is supported by a guidance from a range of professional bodies.**
- **Internal Audit review and audit regularly the quality and accuracy of data used in decision making and performance monitoring**

- **Our Financial management arrangements support both the long term achievement of outcome and short term financial performance through the delivery of the MTFs**
- Setting a prudent Minimum Revenue Provision for the repayment of debt
- The integration of all financial management and control was reviewed as part of the finance modernisation project

# ANNUAL GOVERNANCE STATEMENT

## Principle G

### Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### Sub Principles:

##### Implementing good practice in transparency

#### How we do this:

- We recently improved the layout and presentation of its reports in order to improve the presentation of key information to decision-makers and monitor this regularly.
- We are mindful of providing the right amount of information to ensure transparency.
- A review of information sharing protocols has been undertaken and new principles adopted.

##### Implementing good practices in reporting

- **We report at least annually on the achievement and progress of its intended outcomes and financial position. This is delivered through the:**
  - Annual Performance report assessing performance against the Council Plan
  - Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources
  - Progress against the Well-being Plan
- Our Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance.

##### Assurance and effective accountability

- Through robust assurance mechanism, we can demonstrate effective accountability. These mechanisms include:
  - **Internal Audit undertakes independent reviews to provide an annual assurance opinion of the Council's control, risk management, and governance framework. To allow this Internal Audit has direct access to Chief Officer and members of the Council.**
  - **All agreed actions from Internal Audit reviews are monitored regularly with reports to Chief Officers monthly and each Audit Committee.**
  - **Any 'limited/red' assurance opinion are reported to Audit Committee in full and progress monitored closely**
  - **Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery**
  - Through effective commissioning and monitoring arrangements and compliance with Council's procedures, we gain assurance on risk associated with delivering services through third parties and any transitional risks.
  - Reports are presented to Cabinet and an annual report to Audit Committee of external feedback from regulatory work and peer reviews along with the Council's responses.

## 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><li>– Approves the policy and financial frameworks</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>
Audit Committee	<ul style="list-style-type: none"><li>– Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors</li></ul>
Standards and Constitution & Democratic Services Committees	<ul style="list-style-type: none"><li>– Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct.</li><li>– Constitution &amp; Democratic Services Committee considers and proposes changes to the Constitution and the Code of Corporate Governance.</li></ul>
Portfolio Programme Boards	<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><li>– Plan communication and engagement activity</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 Officers 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 have 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:

<p style="text-align: center;">Chief Officers Team</p>	<p style="text-align: center;">Monitoring Officer</p>	<p style="text-align: center;">Section 151 Officer</p>	<p style="text-align: center;">Information Governance</p>	<p style="text-align: center;">Internal Audit</p>
<ul style="list-style-type: none"> <li>• Corporate oversight and strategic planning</li> <li>• Annual Corporate Governance Assessment</li> <li>• Implement and monitor regulatory and other governance protocols</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and regulatory assurance</li> <li>• Monitors the operation of the Constitution</li> <li>• Ombudsman investigations</li> <li>• Designated Senior Information Risk Owner (SIRO)</li> </ul>	<ul style="list-style-type: none"> <li>• Proper administration of the Council's financial affairs</li> </ul>	<ul style="list-style-type: none"> <li>• The Monitoring Officer is designated as our Senior Information Risk Owner (SIRO)</li> <li>• Data Protection procedures including GDPR</li> <li>• Information Security &amp; Records Management procedures</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> <li>• Undertake Investigation and proactive Fraud work</li> </ul>
<p style="text-align: center;">Overview &amp; Scrutiny</p>	<p style="text-align: center;">Audit Committee</p>	<p style="text-align: center;">Risk Management</p>	<p style="text-align: center;">External Audit / Inspections</p>	<p style="text-align: center;">Counter Fraud</p>
<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 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

### How have we addressed the governance and strategic issues from 2018/19 AGS

The 2018/19 Annual Governance Statement contained 16 key improvement areas as i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council; and, ii) Strategic Council Plan issues – those that were identified as part of the Council Plan for 2018/19 which remained unmitigated i.e. a 'Red' risk status. These key improvement areas within Annual Governance Statement 2018/19 also include some items which had been carried over from 2017/18.

The issues and how they were addressed are below:

<b>(i) Internal Council Governance issues from the 18/19 AGS</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Management Comment</b>	<b>Current Status</b>
<p>Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account.</p>	<ul style="list-style-type: none"> <li>• Service planning does not take into account service user's needs in the future.</li> <li>• Legal and or judicial challenges.</li> <li>• Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change.</li> <li>• Lack of structures to encourage public participation</li> </ul>	<ul style="list-style-type: none"> <li>• Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of services.</li> <li>• Communication strategies developed and actioned for all major decisions affecting the public.</li> <li>• Ensure that effective feedback mechanisms are built into communication strategies, taking into account the diversity of communication methods.</li> </ul>	<p>Integrated Impact Assessments (IIA) now developed and used to inform 2018/19 business planning. CAMMS system been updated with IAA for all relevant efficiency projects and policies; process to be fully operational from May 2019.</p> <p>Although the Council has policies and procedures to ensure the lawfulness of its decisions the potential for legal and judicial challenges remain an ongoing risk to the Council.</p> <p>Communication strategies have been developed for policy change and other major decisions affecting the public, including feedback mechanisms.</p> <p>The system for completing IIAs within CAMMS is now fully operational. The inclusion of IIAs within committee reports ensures decision makers are aware of any impacts identified. Further training for IIA authors is being planned to improve robustness of IIAs undertaken.</p>	<p><b>Closed</b></p>



## ANNUAL GOVERNANCE STATEMENT

<b>(i) Internal Council Governance issues from the 18/19 AGS</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Management Comment</b>	<b>Current Status</b>
Performance management: (Identified by Overview and Scrutiny Committee chair).	Council's approach to performance management and monitoring is not fully understood; leading to ineffective challenge and scrutiny.	Member workshop: understanding the Council's performance management approach and supporting systems.	A workshop explaining the Council Plan and it's measures in relation to performance management was held in 2018. Workshops have been held with members on Performance Management.	<b>Closed</b>
(A1, A2, A3) Behaving with integrity. # (E54) Developing the capability of the entity's leadership and other individuals – 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. #	<ul style="list-style-type: none"> <li>• Protecting the reputation of the Council</li> <li>• Members not leading by example on the values for the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Refresh training and advice.</li> <li>• Sustained work with Group Leaders and the Chair of the Council.</li> <li>• The Council has approved the Flintshire Standard which sets expectations about behaviour.</li> <li>• The Council regularly sends members on the WLGA Leadership Programme which will explain the roles of elected members and officers.</li> <li>• There is a process of induction for councillors who are new to positions of responsibility within the Council (e.g. committee chair or cabinet member). This explains the remits of elected councillors and officers.</li> <li>• Council procedures further reinforce the respective roles.</li> </ul>	The collective and coordinated approach by Group Leaders and members, supported by officers has led to an improvement in behaviour. Where isolated cases continue this is being addressed separately.	<b>Closed</b>

## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
(A8) Demonstrating strong commitment to ethical values. #	Under realisation of external service providers to provide social value benefits that communities can gain from.	<ul style="list-style-type: none"> <li>Review of expectations of external providers, both voluntary and contractual, as part of the implementation of a new Social Value Strategy (endorsed Cabinet March 2019).</li> <li>Initial focus is to generate social value through procurement</li> </ul>	The Social Value Strategy has been rolled out with the creation of a dedicated Social Value Officer. Action to remain open to fully embed process.	<b>Open</b>
(A8) Demonstrating strong commitment to ethical values. #	Under realisation of external service providers to provide social value benefits that communities can gain from.	<ul style="list-style-type: none"> <li>Review of expectations of external providers, both voluntary and contractual, as part of the implementation of a new Social Value Strategy (endorsed Cabinet March 2019).</li> <li>Initial focus is to generate social value through procurement</li> </ul>	The Social Value Strategy has been rolled out with the creation of a dedicated Social Value Officer. Action to remain open to fully embed process.	<b>Open</b>
<p>(B23,24,25) Engaging stakeholder effectively, including individuals citizens and service users. *</p> <p>(E61) Developing the capability of the entity's leadership and other individuals – ensure that there are structures in place to encourage public participation. *</p> <p>(F69) Managing performance – making decisions based on relevant, clear objective analysis and advice pointing out the</p>	<ul style="list-style-type: none"> <li>Ensuring that impacts, both negative and positive are fully understood when making Council decisions.</li> <li>Public participation is not built into consultation and communication strategies, leading to mis-communication and difficulties in implementing change.</li> </ul>	<ul style="list-style-type: none"> <li>Template and guidance for all committee reports to ensure that both communications and risk are comprehensively considered and reported on as part of the Integrated Impact Assessment captures specific issues which may be of consequence for protected groups and other issues of impact need to be considered and captured.</li> <li>New format for reporting introduced Autumn 2019 and subsequently monitored.</li> <li>Increased use of tools such as Gov. Delivery and Customer Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>There has been an improved report format used during the year. This action needs to remain open action to capture the report of Integrated Impact Assessments.</li> <li>There is a detailed communications strategy in place for all aspects of engagement.</li> <li>All major decisions are based on clear objective analysis.</li> </ul>	<p><b>Open (B23, 24,25)</b></p> <p><b>Closed (E61)</b></p> <p><b>Closed (F69)</b></p>

## ANNUAL GOVERNANCE STATEMENT

<b>(i) Internal Council Governance issues from the 18/19 AGS</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Management Comment</b>	<b>Current Status</b>
implications and risks inherent in the organisation's financial, social and environmental position and outlook				
(C27,29) Defining outcomes in terms of sustainable economic, social and environmental benefits. #	<ul style="list-style-type: none"> <li>• Expectations of delivery in accordance with the Future Generations and Wellbeing Act have been raised.</li> <li>• Service planning does not take into account service user's needs in the future.</li> <li>• Legal and or judicial challenges.</li> </ul>	<ul style="list-style-type: none"> <li>• Part of the review of the Council Plan 2019/20 and the review of the current set of Well-Being Objectives.</li> <li>• Reflect within provisions made in the Medium Term Financial Strategy.</li> <li>• The financial impact on the Council from COVID-19 is currently unknown.</li> </ul>	Case studies to be included within the Annual Performance Report demonstrating best practise in line with Future Generations and Wellbeing Act	<b>Closed</b>
(C30,31) Defining outcomes – identifying and managing risks to the achievement of outcomes and making best use of the resources available. *	<ul style="list-style-type: none"> <li>• Risk management not fully related to the achievements of all that we do.</li> <li>• Inconsistent application of the risk management strategy across all portfolios.</li> <li>• Risks are not mitigated during transitional or implementation phases.</li> <li>• Outcomes are under-achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement still needed in this area to ensure that risk management is related fully and comprehensively to the achievement of outcomes in all that we do.</li> <li>• Ensured that within the new risk register that arrangements are in place to risk assess the achievement of outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Revision of Risk Management Framework</li> <li>• Workshops with portfolios on revised risk framework.</li> </ul>	<b>Closed</b>

## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
<p>(D38,39) Planning interventions - establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.*</p> <p>Planning interventions – Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered. *</p>	<ul style="list-style-type: none"> <li>• Inconsistent application of planning methodologies to ensure effective delivery of outcomes.</li> <li>• Ensuring that impacts, both negative and positive are fully understood when making Council decisions.</li> <li>• Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change.</li> <li>• Lack of structures to encourage public participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Provided and applied a comprehensive set of tools and guidance to ensure that strategic and operational plans are maintained to inform other strategies such as the MTFS</li> </ul>	<p>There is a systematic approach to budget planning, production of the MTFS and risk escalation</p>	<p><b>Closed</b></p>
<p>(D43) Planning interventions – Ensuring capacity exists to generate the information required to review service quality regularly. *</p>	<p>Lack of appropriate information to inform service quality and policy decisions.</p>	<p>Review of the information available to inform service quality, as part of the Members’ Workshop on Performance Management.</p>	<p>Members workshops have now been held.</p>	<p><b>Closed</b></p>

## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
(E53) Developing the entity's capacity – Developing and maintaining an effective workforce plan to enhance strategic allocation of resources. *	<ul style="list-style-type: none"> <li>• Sustainability of service provision.</li> <li>• Ineffective allocation of resources.</li> <li>• Reputational damage following reduction in quality of service.</li> </ul>	Whilst the Council already has individual Portfolio workforce plans, these need to be consolidated into one Council workforce plan in accordance with the People Strategy.	Whilst positive work has been undertaken, this action should remain open and under review.	<b>Open</b>
(E58) Developing the capability of the entity's leadership and other individuals – Ensuring employees have access to appropriate induction, with ongoing training and development matching individual and organisational requirements is available and encouraged. *	<ul style="list-style-type: none"> <li>• Employees unable to carry out their roles effectively following recruitment.</li> <li>• Employees not provided with the values and objectives of the organisation.</li> <li>• Changes to policies, technologies, practices, legislation and understood; leading to inefficiency and under productivity.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that Induction sessions are carried out in a timely fashion and that all new employees attend.</li> <li>• Introduce monitoring of the corporate induction process as a quarterly report to CRO&amp;SC and Cabinet to monitor effectiveness and ensure compliance.</li> </ul>	There is a clear induction process in place for new members of staff. The action to open until a more effective corporate induction and remote e-learning tool is available.	<b>Open</b>
(E64) Developing the capability of the entity's leadership and other individuals – 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. *	Resilience of workforce is impacted by capacity and changing demands.	Next stage of development of the Mental Health and Wellbeing Plan for the workforce as one of the commitments within the People Strategy.	Positive work has taken place to develop the Mental Health and Wellbeing plan and will continue to evolve to support the changing workforce and their needs.	<b>Open</b>

## ANNUAL GOVERNANCE STATEMENT

<b>(i) Internal Council Governance issues from the 18/19 AGS</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Management Comment</b>	<b>Current Status</b>
<p>(F68,F69) Managing performance – Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. *</p>	<ul style="list-style-type: none"> <li>• Outcomes following implementation may not have been delivered.</li> <li>• Lessons not learned nor shared.</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion of post implementation reviews in Scrutiny Forward Work Programmes.</li> <li>• Work with Scrutiny Chairs and vice-chairs and the Liaison Group to ensure that risks and performance are 'cornerstone' items of O&amp;S FWPs.</li> <li>• Ensure risks are adequately covered in committee reports.</li> <li>• Brief committees on risk issues using half hour slots before meetings where necessary.</li> </ul>	<p>Whilst considerable work has taken place, further work is required to ensure there is a consistent approach for the inclusion of post implementation reviews in Scrutiny Forward Work Programmes.</p>	<p><b>Open</b></p>
<p>(F71) Managing performance – Providing members and senior management with regular reports on service delivery and on progress towards outcome achievement. *</p>	<p>Lack of timeliness of reporting leading to out of date information upon which to make decisions / assess risks.</p>	<ul style="list-style-type: none"> <li>• Continue with Council Plan reporting on historical factual information within 2 months of the quarterly period, but with current updates contained within the report.</li> <li>• Use of the most up to date data to inform reports for decision making.</li> <li>• Members to be involved in what is valuable to be measured within portfolios (Performance Management workshop).</li> </ul>	<ul style="list-style-type: none"> <li>• Performance reports are presented within 2months of the quarter end.</li> <li>• Recruitment of Data Officer to lead support for reporting completion</li> </ul>	<p><b>Closed</b></p>

## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues from the 18/19 AGS	Risk	Mitigation	Management Comment	Current Status
(F78) Managing Data – 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. *	<ul style="list-style-type: none"> <li>• Legal challenge and fines.</li> <li>• Personal confidentiality breached.</li> </ul>	Continue with monitoring processes and procedures set out for compliance with GDPR, until evidence that consistent approaches are being undertaken in each portfolio	There is an effective framework in place however to ensure consistency in compliance this action is to remain open	<b>Open</b>
Agreed actions within the Red / Limited assurance (2) Internal Audit reports are implemented.	Failure to address control and governance issues identified as part of the audit work undertaken.	Detailed action places in place to address the funding.	All actions relating to these Red / Limited assurance Internal Audit report have been implemented.	<b>Closed</b>

## ANNUAL GOVERNANCE STATEMENT

<b>(ii) Strategic Issues from the 2018/19 Council Plan</b>	<b>Risk</b>	<b>Mitigation</b>	<b>Management Comment</b>	<b>Current Status</b>
<p><b>Supportive Council:</b> Availability of sufficient funding to resource key priorities – with particular reference to Disabled Facilities Grants (DFGs).</p>	<ul style="list-style-type: none"> <li>• Demand for DFGs and adaptations are not met due to budget availability.</li> <li>• DFGs are not delivered in a timely manner; under-performance nationally.</li> </ul>	<p>Response to Internal Audit recommendations to improve processes.</p>	<p>Oversight Board established to review and monitor progress. Improvements in process and timeliness evidenced in last half of the year. Performance of this has improved. All actions have been addressed and the oversight board has ceased.</p>	<p><b>Closed</b></p>
<p><b>Supportive Council:</b> Demand outstrips supply for residential and nursing home care bed availability.</p>	<ul style="list-style-type: none"> <li>• Lack of residential and nursing home care bed availability leading to more hospital stays.</li> <li>• Increased stress on carers.</li> <li>• Primary care resources stretched further.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing.</li> <li>• Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government.</li> <li>• Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.</li> </ul>	<p>The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board. A review for Programme Board of demand and supply in light of the new capital developments has been undertaken. Risk had reduced due to developments on track and no care homes in escalating concern. However, the impact of COVID-19 and the need to open an additional care home at the Oaks still needs to be factored in</p>	<p><b>Open</b></p>
<p><b>Learning Council:</b> Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets.</p>	<p>Fabric of Education and Youth buildings will continue to decline leading to an increase in health and safety issues and imbalance between surplus and unfilled places.</p>	<ul style="list-style-type: none"> <li>• Condition surveys continue to identify priorities for investment.</li> <li>• Implement County Policy for School re-organisation and modernisation.</li> </ul>	<p>The School Modernisation Programme is one of the strategic options to address the repairs and maintenance backlog. Capital business cases for improvement and repair and maintenance projects in schools are considered through the Council's business case process.</p>	<p><b>Open</b></p>



## ANNUAL GOVERNANCE STATEMENT

(ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation	Management Comment	Current Status
			This continues to be a financial risk to support the school infrastructure.	
<b>Green Council:</b> Funding will not be secured for priority flood alleviation schemes.	Flood alleviation schemes will not be delivered leading to increased risks of damage to infrastructure and community disturbance.	Review our approach to funding capital projects.	<p>Flintshire's local risk management strategy contains an action to 'identify projects and programmes that are affordable, maximising capital funding from internal and external sources'.</p> <p>A service review is intended to create a more effective approach / structure that balances the ability to secure funding for flood alleviation works with the delivery of statutory duties under the Flood and Water Management Act.</p> <p>New Strategic Urban Drainage Scheme (SUDS) legislation needs to be implemented.</p> <p>Due to increase pressure of statutory duties the status of risks still lie within the red RAG rating.</p>	<b>Open</b>
<b>Serving Council:</b> The scale of the financial challenge.	The Council has insufficient funding to meet its priorities and obligations.	<ul style="list-style-type: none"> <li>• The Council's Medium Term Financial Strategy and efficiency programme.</li> <li>• National negotiations on local government funding.</li> </ul>	<p>The Council's budget setting process and management of the Medium Term Financial Strategy enabled the Council to set a balanced budget for 2019/20.</p> <p>The future of Council funding however, remains uncertain.</p> <p>The initial forecast for 2019/20 was considered by Cabinet in April 2019 and will continue to be closely monitored.</p>	<b>Open</b>

**Those actions closed are shown in blue text**

## ANNUAL GOVERNANCE STATEMENT

# What are the significant governance and strategic issues identified during 2019/20

The review of the effectiveness of the Council’s governance framework has identified the following significant issues that will need to be addressed during 2019/20. These are categorised as:

- i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council.  
NOTE: Issues marked \* have been retained as high profile for further work, even though the risk score was 3 or above.  
Issues marked # show risk issues which have increased in risk significance, even though they still retained a score of 3 or above
- ii) Strategic Council Plan issues – those that have been identified as part of the Council Plan for 2019/20 which remain un-mitigated i.e. a ‘Red’ risk status.

i) Internal Council Governance issues for 2019/20	Risk	Mitigation
(C29) Defining outcomes in terms of sustainable economic, social and environmental benefits. #	<ul style="list-style-type: none"> <li>Expectations of delivery in accordance with the Future Generations and Wellbeing Act have been raised.</li> <li>Service planning does not take into account service user’s needs in the future.</li> <li>Legal and or judicial challenges.</li> </ul>	<ul style="list-style-type: none"> <li>Part of the review of the Council Plan 2020/21 and the review of the current set of Well-Being Objectives.</li> <li>Reflect within provisions made in the Medium Term Financial Strategy.</li> <li>The financial impact on the Council from COVID- 19 is currently unknown.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

ii) Strategic Issues from the 2019/20 Council Plan	Risk	Mitigation
<p><b>Supportive Council</b> Debt levels will rise if tenants are unable to afford to pay their rent or council tax.</p>	<ul style="list-style-type: none"> <li>• Council will not recover income to offset costs.</li> <li>• Tenants will fall into more categories of debt.</li> <li>• Potential rise in homelessness presentations.</li> </ul>	<ul style="list-style-type: none"> <li>• Early intervention for tenants claiming Universal Credit to tackle rent arrears and encourage payment of rent.</li> <li>• Avoid new or escalating arrears to ensure that homelessness is prevented where possible.</li> </ul>
<p><b>Supportive Council</b> Demand outstrips supply for residential and nursing home care bed availability.</p>	<ul style="list-style-type: none"> <li>• Lack of residential and nursing home care bed availability leading to more hospital stays.</li> <li>• Increased stress on carers.</li> <li>• Primary care resources stretched further .</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing.</li> <li>• Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government.</li> <li>• Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.</li> </ul>
<p><b>Supportive Council</b> Homelessness will remain a growing area of demand due to the current economic climate.</p>	<ul style="list-style-type: none"> <li>• Lack of suitable, settled accommodation for those on welfare benefits has caused delays in being able to achieve positive outcomes for customers.</li> </ul>	<ul style="list-style-type: none"> <li>• We have been awarded in year funding to assist with additional measures to develop Landlord incentives within the private rented sector and a strategic partnership with HAWs commenced in May 2019.</li> <li>• The emergency beds provision is in place and is proving to be in demand.</li> <li>• Recruitment of an Outreach Worker in post, employed through Clwyd Alyn, who follows up on street homeless and individuals who attend the emergency bed provision.</li> </ul>
<p><b>Supportive Council</b> Insufficient supply and escalating cost of placements for children with complex needs.</p>	<ul style="list-style-type: none"> <li>• Increasingly difficult to secure appropriate placements for children with complex needs within budget constraints.</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting resilient families through the Early Help Hub.</li> <li>• Targeted support to families on the edge of care.</li> <li>• Combat exploitation through the Strategic and Operational MET (Missing, Exploitation, Trafficking) group.</li> <li>• Policies and models to attract new foster carers and expand the type of placements offered.</li> <li>• Working with local providers to reshape the residential market.</li> <li>• Maximising local housing options.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

ii) Strategic Issues from the 2019/20 Council Plan	Risk	Mitigation
<p><b>Green Council</b> Funding will not be secured for priority flood alleviation schemes.</p>	<ul style="list-style-type: none"> <li>Inability to secure the WG grant funding and/or FCC capital funding necessary to deliver priority flood alleviation schemes.</li> </ul>	<ul style="list-style-type: none"> <li>Review our approach to funding capital projects.</li> </ul>
<p><b>Serving Council</b> The scale of the financial challenge.</p>	<ul style="list-style-type: none"> <li>Reduction in funding of Revenue Support Grant leading to challenging financial position for the Council in its ability to set a balanced budget.</li> </ul>	<ul style="list-style-type: none"> <li>The Medium Term Financial Strategy (MTFS) continues to be reviewed to forecast the financial resources to be available to the Council during the period based on the best available intelligence and identification of solutions available.</li> <li>National and local solutions for addressing the budget gap continue to be explored.</li> </ul>
<p><b>Serving Council</b> Fully funding demand led services and inflationary pressures.</p>	<ul style="list-style-type: none"> <li>Reductions or cessation of services.</li> <li>High increases in Council Tax level.</li> </ul>	<ul style="list-style-type: none"> <li>National lobbying for improved funding for local government in Wales to include indexation of nationally agreed pay award, increases in demand and Nationally agreed legislative changes.</li> <li>Maximisation of business planning efficiencies from Portfolios and increases to fees and charges.</li> </ul>
<p><b>Serving Council</b> Meeting Internal Targets.</p>	<ul style="list-style-type: none"> <li>Impact on the overall financial position of the Authority impacting on Medium Term Financial Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Review of in year efficiencies and mitigate any shortfalls.</li> <li>Review of income and expenditure to ensure financial management is robust.</li> <li>Review at Programme Board and escalation as necessary.</li> </ul>
<p><b>Serving Council</b> Increasing costs of service delivery and rising demand for some services.</p>	<ul style="list-style-type: none"> <li>We may not be able to deliver services or may not be able to set a legal balanced budget.</li> </ul>	<ul style="list-style-type: none"> <li>Regular monitoring of budgets.</li> <li>Escalation of areas of increasing financial risk such as increased cost and demand.</li> <li>Seek additional national funding for inflationary uplifts and areas of high service demand.</li> <li>Challenge by finance for mitigation within the service.</li> <li>Prevention strategies to minimise demand.</li> <li>Regular reporting to COT/Cabinet/Council.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

ii) Strategic Issues from the 2019/20 Council Plan	Risk	Mitigation
<p><b>Corporate Finance</b> Increasing Debt.</p>	<ul style="list-style-type: none"> <li>An increase in the level of debt owed to the Council.</li> </ul>	<ul style="list-style-type: none"> <li>We are still collecting income and are only making flexibilities where tax-payers, tenants, customers and businesses approach us to request support.</li> <li>'Soft' enforcement has begun for tax-payers and tenants who are falling into debt and not made any contact with us and a first batch of reminder letters is to be issued in late May/early June.</li> <li>Full enforcement action cannot resume until it is sensitive to do so.</li> <li>This risk will need to be taken into account in the review of the Medium-Term Financial Strategy (MTFS).</li> </ul>
<p><b>Corporate Finance</b> Insufficient reserves level.</p>	<ul style="list-style-type: none"> <li>Insufficient reserves remain following the response phase.</li> </ul>	<ul style="list-style-type: none"> <li>Protect an over-exposure of our reserves by maximising our claim grants to Welsh Government for refunds of additional emergency expenditure and the recovery of lost income.</li> </ul>
<p><b>Corporate Finance</b> Insufficient reserves level impacts financial resilience.</p>	<ul style="list-style-type: none"> <li>Insufficient reserves impact on the financial resilience of the Council to sustain a lengthy recovery phase.</li> </ul>	<ul style="list-style-type: none"> <li>This risk will need to be taken into account in the review of the Medium-Term Financial Strategy (MTFS).</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

**Colin Everett – Chief Executive**

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

**Flintshire County Council Corporate Governance Framework  
Principal Statutory Obligations and Organisational Objectives**

Behaving with integrity, demonstrating strong commitment to ethical values & respecting the rule of the Law

Ensuring Openness & Comprehensive Stakeholder Engagement

Defining Outcomes in terms of Sustainable Economic, Social & Environmental Benefits

Determining the Interventions to optimise the achievements of the intended outcomes

Developing the Council's capacity, including capability of its leadership & individuals within it

Managing risks & performance through robust internal control & strong financial management

Implementing good practices in transparency, reporting & audit to deliver effective accountability

Assurance Statement

Corporate Governance comprises the systems and processes, cultures and values, by which Flintshire County Council are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

**Public Key Documents: Annual Review / Production**

**Key Documents: Ad-hoc Review / Production**

**Contributing Processes Regulatory Monitoring**

- 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
- 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

- Anti-Fraud Work plan
- Business Continuity Plans
- Communications Principles
- Constitution
- Data Protection Policy
- Equality and Diversity Policies
- HR 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

- Appraisal and Supervision
- Attendance management
- 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
- Induction
- Inspectorate Reports
- Internal Audit
- Job Descriptions
- Manager Toolkits
- Member Training
- Monitoring Officer
- Partnership Self Assessments
- Performance Management
- Risk Management
- Scrutiny Framework
- Staff induction
- Your Council newsletter