

*Annual Finance  
and  
Governance  
Report  
2019/2020*

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**Strategic Director – Finance & Efficiencies**



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## **INTRODUCTION**

Conwy County Borough Council is a unitary authority providing all major local government services such as Education, Social Services, Environmental Services, Leisure, Planning and Highways.

The County Borough of Conwy has a population of around 117,200. Over 80% of the population lives along the coastal belt that includes the towns of Abergele, Colwyn Bay and Llandudno. The remainder of the population is dispersed across the area extending to Dolwyddelan in the south-west and Llangwm and Dinmael in the south-east. Around a third of Conwy's residents speak Welsh and around a half of the population of the County Borough were born in Wales.

## **Political Governance**

Conwy County Borough Council has 59 Councillors elected to represent 38 electoral divisions. Local elections were held in May 2017, and the political make-up of the Council as at 9 July 2020 is:-

- 14 Conservative
- 13 Conwy First Independent Group
- 10 Plaid Cymru
- 8 Labour
- 6 Independent
- 4 Liberal Democrats
- 4 Allied Independents

## **Council**

The Council (all 59 Councillors) sets the overall budget and policies. It meets at least four times a year, and debates the different options for important issues facing the County Borough. The Council appoints the Leader of the Council who selects the Members of the Cabinet, and allocates Cabinet Member responsibilities (portfolios). The Council is also the focus for any debate about the performance of the Cabinet.

## **Cabinet**

Following a change in leadership in June 2019, the Cabinet now comprises ten Councillors (previously nine) including the Council Leader who chairs meetings of the Cabinet. Each of the Cabinet Members has a specific portfolio of responsibility for areas of the Council's services.

Further information on the Council can be found on the following link:

<http://www.conwy.gov.uk/en/Council/Council.aspx>

## **NARRATIVE REPORT**

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2019/20 (The Code 2019/20), which specifies the principles and practices of accounting required to give a 'true and fair view' of the financial position and transactions of a local authority. The Code 2019/20 constitutes 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2019/20 is based on International Financial Reporting Standards (IFRS).
3. These accounts consist of the following financial statements in accordance with the Code:-

**a) Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and its officers for the preparation and approval of the Statement of Accounts.

**b) Statement of Accounting principles and policies**

The purpose of this statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

**c) The 'Core' Financial Statements**

**1. The Comprehensive Income and Expenditure Statement**

This 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 taxation. Authorities raise 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. The statement shows that there was a deficit in the year of £18.706m (2018/19 deficit of £26.459m).

**2. The Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Authority'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 (the general unallocated contingency sum) for Council Tax setting. The Net Increase / Decrease before Transfers to/(from) Earmarked Reserves line shows the statutory

Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The usable reserves amounted to £14.323m at the year end 31 March 2020 (31 March 2019 £18.380m), including the Council Fund balance of £2.366m (31 March 2019 £2.427m).

### 3. Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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'.

The net worth of the Authority as at 31 March 2020 amounted to £122.640m, an increase of £104.382m over the position at 31 March 2019, mainly because of the Pension Liability, and the property revaluations.

### 4. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

#### **d) The Expenditure & Funding Analysis**

This is an analysis to show the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis shows how expenditure for the financial year is used and funded (government grants, Council Tax and Business Rates) by local authorities compared with those resources consumed or earned by local authorities in accordance with generally accepted accounting practices.

## **4. Funding Council Services**

The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**Revenue Expenditure** covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income received from Council Tax payers, business ratepayers, the fees and charges made for certain services, and by grants received from government.

**Capital Expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

### **4.1 Review of the Year – Revenue Expenditure**

The Council's net Service Expenditure budget for 2019/20 was approved in the sum of £220.001m in February 2019 (£214.671m in 2018/19) and included provision for known and estimated pay awards, price increases, service pressures and risks.

The budget was set against a backdrop of a poor financial Settlement of grant support from the Welsh Government, with Conwy receiving the worst Settlement in Wales. A challenging budget reduction package of £8.610m was approved and implemented in order to set a balanced budget within the overall available financial resources.

The budget was closely monitored and controlled during the year and reported to Members in accordance with approved Council procedures.

Budgetary variations were reported during the course of the year, the reported budget variations are shown in Table 1.

Education and Social Services reported resource shortfalls during the year in the combined sum of £3.266m in September 2019, this then increased to £3.516m by January 2020 in relation to Children's Services.

A comprehensive report relating to the Social Services resource shortfall (£2.5m) was presented to Members in October 2019 (Minutes 461 and 474 refer) explaining the pressures and challenges that were faced and highlighting the risk that the service budget could face further overspending during the remainder of the financial year. The report also considered mitigating actions that were to be applied to attempt to contain the financial pressures within the service.

A budgetary recovery plan proposal was presented to Members in September 2019 (Minutes 300 and 329 refer) to contain the overall financial position during 2019/2020. The recovery plan was confirmed in January 2020 (Minutes 640 and 669 refer) and was reflected in the outturn position as at 31 March 2020 in respect of the 2019/2020 final position.

The last quarter of the financial year saw two significant events, firstly the storms and flooding which significantly affected Conwy together with other parts of the country, and the Coronavirus pandemic affecting not only Conwy but the whole world.

In financial terms the storms and flooding events required additional and unexpected funding in 2019/2020 and 2020/21 in the sum of £553,512 of which £441,042 was part of the Emergency Financial Assistance Scheme (EFAS) threshold to be funded by Conwy. After allowing for adjustments grant funding from Welsh Government was £104,408. The overall expenditure was associated with both the initial response and then the recovery actions. The Accounts for 2019/2020 include additional expenditure in the sum of **£227,745**, with further costs of £325,767 falling in 2020/2021.

The Coronavirus pandemic has and will change the world significantly, and has already affected society and people's lives very deeply. It therefore seems unnatural to refer to such a significant and tragic issue within Conwy's Statement of Accounts, but the Statement must reflect whatever is likely to impact on the Council's financial position.

The Coronavirus pandemic began in the financial year 2019/2020, but had limited effects financially on the Council in that year. It is fair to say that the financial effects on the Council will be significant and will have as yet unknown consequences in 2020/2021 and beyond in relation to the financial position for Conwy. In financial terms the effect of the Pandemic will depend on the response to the financial position of local government generally through support and policy decisions taken by the UK Government and Welsh Government.

The balances and reserves held by Conwy are included within this Statement (Movement in Reserves Statement and Note 11 refer), and are in the sum of **£14.323m**. They are amongst the lowest in Wales relative to the size of Conwy and it is clear that they are unlikely to provide sufficient funding in 2020/2021 and beyond should the pandemic effects not be supported appropriately by Welsh Government. The extent to which they are applied in 2020/2021 will mean that they will need to be replenished to provide an appropriate form of financial resilience for the Council thereafter.

In terms of the overall outturn budget for 2019/2020, Table 1 below sets out the way by which the service pressures were agreed to be supported during the year, together with the approval source. The minute references refer to the reports and recommendations relating to Cabinet and the Finance and Resources Overview and Scrutiny Committee.

**Table 1**

<b>Service</b>	<b>Overspend / (Underspend) £'000</b>	<b>Minutes</b>
Children's Services	+1,750	461 and 474
Adult Services	+500	461 and 474
Children's Services	+250	640 and 669
Education Services	+1,016	300 and 329

<b>Sub Total</b>	<b>+3,516</b>	
<b>Financed by:-</b>		
Use of eligible capital receipts	(715)	300 and 329
Releasing reserves for capital purposes through replacement borrowing	(277)	300 and 329
Withholding of pay award provision	(519)	300 and 329
Release of reserves	(905)	300 and 329
Council Tax Income	(500)	300 and 329
Other Savings	(350)	300 and 329
PFI Refund	(100)	640 and 669
Release from the Insurance Reserve	(150)	640 and 669
<b>Sub Total</b>	<b>(3,516)</b>	
<b>Balance</b>	<b>0</b>	

Table 2 sets out the overall financial position at the year end, and shows some further variations with appropriate explanations in the notes.

In order to protect the general balances of the authority, capital receipts in the sum of **£998k** have been applied to finance revenue costs associated with reform projects. This is in accordance with the flexible use of capital receipts based on the order made by Welsh Ministers which allows local authorities in Wales to treat expenditure incurred on the revenue costs of projects designed to reduce future revenue costs and / or transform service delivery as capital expenditure.

The overall financial position of the Authority generally was as projected in the reports to Members. Prudent financial provisions and reserves have been made for known and anticipated liabilities that were identified during the closure of the accounts process.

**Table 2**

Col 1  SUMMARY	Col 2 ORIGINAL ESTIMATE  2019/20 £'000	Col 3 APPROVED POSITION AT NOV 2019 2019/20 £'000	Col 4 FINAL OUTTURN 2019/20 £'000	Col 5 VARIANCE (Col 4 - Col 3) 2019/20 £'000	NOTES
<b>Resource Base (income)</b>					
Revenue Support Grant	(115,695)	(115,695)	(115,695)	0	
Redistributed Non Domestic Rates	(38,497)	(38,497)	(38,497)	0	
Council Tax	(64,514)	(65,014)	(65,027)	(13)	
<b>Total</b>	<b>(218,706)</b>	<b>(219,206)</b>	<b>(219,219)</b>	<b>(13)</b>	
<b>Net Expenditure</b>					
Education Services	79,640	80,825	80,838	13	
Social Services	62,366	65,517	65,511	(6)	
Environment, Roads & Facilities	18,757	19,233	19,344	111	1
Community Development Services	5,400	5,943	5,911	(32)	
Regulatory & Housing Services	5,359	5,427	5,426	(1)	
Corporate Financial Services	1,232	1,265	1,208	(57)	2
Audit & Procurement	523	534	531	(3)	
Revenues and Benefits Service	1,313	1,370	1,370	0	
Council Tax Reduction Scheme	10,420	10,220	10,066	(154)	3
Law & Governance	1,747	1,737	1,708	(29)	
Information Technology	2,035	2,093	2,093	0	
Chief Executive's Services	1,463	1,494	1,478	(16)	
Theatres and Conference Centre	1,042	1,138	1,138	0	
Corporate Human Resources	1,008	1,036	1,036	0	
Treasury Management and Minimum Revenue Provision	9,992	10,338	10,514	176	4
Corporate Costs and Income	11,333	8,007	8,008	1	
Levies	6,371	6,371	6,390	19	
<b>Sub Total Net Service Expenditure</b>	<b>220,001</b>	<b>222,548</b>	<b>222,570</b>	<b>22</b>	
Contribution from Balances	(68)	(68)	(61)	7	
Contribution from Capital Reserve	(1,000)	(1,000)	(1,000)	0	
Recovery Plan	0	(2,047)	(2,063)	(16)	
Reduced Losses on Collection (Council Tax)	(227)	(227)	(227)	0	
<b>Sub Total Other</b>	<b>(1,295)</b>	<b>(3,342)</b>	<b>(3,351)</b>	<b>(9)</b>	
<b>Net Revenue Budget</b>	<b>218,706</b>	<b>219,206</b>	<b>219,219</b>	<b>13</b>	

**Notes**

- 1) Net cost of February storms not covered by EFAS grant
- 2) Employee related savings including redundancy delivered in 2019/2020 as part of the budget reductions planned for 2020/2021
- 3) Reduced entitlement for Council Tax Reduction support
- 4) Additional capital financing charges incurred in respect of debt for capital purposes

Table 2 differs from the opening column of the Expenditure and Funding Analysis (page 38) due to some minor presentational differences between how the budget is reported during the year and how the outturn is reported after the conclusion of the closure of accounts.

Actual net expenditure totalled £219.219m, and it is pleasing to note that the Council achieved an overall net spend within the revised budget including the agreed recovery plan, despite the significant pressures that presented themselves within Social Services and Education Services.

The General Council Fund balance is a measure of the uncommitted reserves which the Council holds to meet cash flow requirements and unforeseen future

events. The general Council Fund balance amounts to **£2.366m** which is very low relative to the rest of Wales and must be kept under review.

Other usable reserves are shown in Note 11 to the accounts.

The Balance Sheet of the Authority contains a number of movements in respect of earmarked reserves. During 2019/20 a number of reserves were established and increased, and a number of reserves were used. Revenue reserves result from events that have allowed monies to be set aside for various reasons, e.g. surpluses, or circumstances causing expenditure to have been postponed. The movement in the reserves during 2019/2020 reflects Council Resolutions, prudent accounting entries, service developments, money set aside for commitments, and resources to assist services in the delivery of future efficiency savings.

## 4.2 Capital Expenditure

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, coastal and highways infrastructure. The total capital spending during 2019/20 was £33.486m. The following is a summary of the service areas which incurred capital investment in 2019/20 and how it was financed compared to a budget of £45.052m:-

<b>Capital Expenditure</b>	<b>2019/20 Actual £'000</b>
<b>Capital Expenditure by Service:</b>	
Education	5,122
Environment, Roads & Facilities	13,151
Community Development Services	6,351
Social Services	763
Theatres & Conference Centre	1,630
Information Technology	320
Regulatory & Housing Services	2,396
Chief Executive & Corporate Services	3,732
Financial Services	21
<b>Total Capital Expenditure</b>	<b>33,486</b>

<b>Capital Financing</b>	<b>2019/20 Actual £'000</b>
<b>Financed By:</b>	
Supported Borrowing	6,448
Prudential Borrowing	8,001
Capital Receipts	985
Capital Grants	18,284
Capital Reserves	(232)
<b>Total Capital Expenditure</b>	<b>33,486</b>

For Capital expenditure financed through Supported Borrowing the costs are funded through the Revenue Support Grant, and for Prudential Borrowing the costs are funded by Services.



Major projects undertaken during 2019/20 were as follows:-

- Primary School Modernisation Project & Education Buildings Improvement
- Street lighting Poles Replacement
- Intermediate Care Fund Developments
- Surface Dressing & Improvement of the County Road Network
- Safe Routes in the Community & Traffic Network Management
- Delivery of Adaptations in Private Sector Housing
- Rectification & Refurbishment of Road Bridges & Structures
- Delivery of Office Modernisation
- Fitness Equipment Replacement & Gym Refurbishments at Leisure Centres
- Penmaen Road Employment Site
- Conwy Culture Centre
- Childcare Grant Capital Works
- Recycling & Garden Waste Capital Purchases
- Old Colwyn Waterfront Coastal Defences & Cycle Track Improvement

The Council's debt outstanding at 31 March 2020 was £197.271m (£178.177m at 31 March 2019) being an increase of £19.094m in borrowing.

The Limits to Borrowing Activity in 2019/20, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	£'000
<b>Authorised Limit for External Debt:</b>	
Borrowing	202,404
Other Long term Liabilities	18,403
	220,807
<b>Operational Boundary for External Debt:</b>	
Borrowing	197,404
Other Long Term Liabilities	18,403
	215,807

## **5. Pension Liability – International Accounting Standard 19 (IAS19)**

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31 March 2020 and the reserve needed to fund that liability. The pandemic and global markets may impact upon the pension liability beyond 31 March 2020.

The Pension Fund liability disclosed within the Balance Sheet of £176.674m (£215.241m in 2018/19) is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a triennial (3 yearly) valuation which assesses the then state of the pension fund and makes recommendations to the various admitted bodies as to the appropriate rate of employer's contributions that need to be made in order to restore the fund to a balanced position over a period of time.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation.

## **STATEMENT OF RESPONSIBILITIES** **FOR THE STATEMENT OF ACCOUNTS**

### **THE AUTHORITY'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. At Conwy County Borough Council, that officer is the Strategic Director – Finance & Efficiencies and **Section 151 Officer**.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. This responsibility is delegated to the Audit Committee by Council.

### **AUTHORITY'S CERTIFICATE**

I approve the Statement of Accounts of Conwy County Borough Council at 31 March 2020.

SIGNED:



Councillor John Roberts  
Chair of Audit and Governance Committee

DATED: 30/09/2020

## **THE SECTION 151 OFFICER'S RESPONSIBILITIES**

As Chief Finance Officer, the Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("The Code 2019/20"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2020.

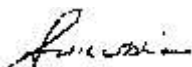
In preparing this statement of accounts, the Strategic Director – Finance & Efficiencies and Section 151 Officer has: -

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which are up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **SECTION 151 OFFICER'S CERTIFICATE**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Conwy County Borough Council at 31 March 2020 and its income and expenditure for the year then ended.

SIGNED:



A H Kirkham  
Strategic Director – Finance & Efficiencies  
Section 151 Officer

DATED:

30/09/2020

# Independent auditor's report to the members of Conwy County Borough Council

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of Conwy County Borough Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Conwy County Borough Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020.

### Basis for opinion

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

### Emphasis of Matter – effects of Covid-19 on property valuations

I draw attention to Note 12 to the financial statements, which describes material valuation uncertainty clauses in the valuation report on the Council's property assets arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of this matter.

### Emphasis of Matter – effects of Covid-19 on property pension asset valuations

I draw attention to Note 39 to the financial statements, which describes material valuation uncertainty clauses in the valuation reports on Pooled Property Funds, held by the Gwynedd pension fund, arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of this matter.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

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

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Certificate of completion of audit**

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

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Adrian Crompton  
Auditor General for Wales  
1 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# **THE STATEMENT OF ACCOUNTS 2019/20**

## **STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) (Amendment) Regulations 2018, which those Regulations require 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. The Statement of Accounts has been prepared on a 'going concern' basis.

### **2. ACCRUALS OF INCOME AND EXPENDITURE**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:-

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- On occasion, where payments are being disputed and/or the sums involved are not known the payment is made in the accounts in the year that the dispute is settled and not necessarily the year to which the payment relates.



- Also, on occasion, an invoice is treated on a cash basis in the accounts to ensure that the correct number of payments appear in the accounts in a financial year.

### 3. **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 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 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 Authority's cash management.

### 4. **EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### 5. **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 Authority'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.

### 6. **CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts 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.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. 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

Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations 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.

## **7. 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 Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time,) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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 Authority 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 Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### **Post Employment Benefits**

Employees of the Authority are members of three separate pension schemes:-

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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 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 Gwynedd and Flintshire pension funds attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 of 2.3% (2.4% in 2018/19) (based on the indicative rate of return on high quality corporate bond (iBoxx)).
- The assets of Gwynedd Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:-
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market 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 Costs and Income.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Interest on Pension assets – this is the interest on assets held at the start of the year and cash flows occurring during the year, calculated using the discount rate at the start of the year.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority 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 Costs and Income.

- Re-measurements (assets) – this is the return on plan assets net of administrative expenses and interest income. It replaces actuarial gains and losses on assets. A charge as a result of reviewing all employers' allocation of assets at a valuation is also included.
- Re-measurements (liabilities) - this is a combination of changes in demographic and financial assumptions and experience gains and losses on liabilities.
- Contributions paid to the Gwynedd and Flintshire Pension Funds – 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 balance to be charged with the amount payable by the Authority 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 of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees, and in effect measures the adverse impact of pensions expected to be payable in the future.

### **Discretionary Benefits**

The Authority 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.

## **8. EVENTS AFTER THE BALANCE SHEET DATE**

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.

Events taking place after the date of authorisation for issue (14/09/2020 for 2019/20) are not reflected in the Statement of Accounts.

## 9. FINANCIAL INSTRUMENTS

### Financial Liabilities

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 CI&ES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument, to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year, as determined in the loan agreement.

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the Council Fund 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 premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CI&ES 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

Financial assets are classified based on a classification and measurement approach that reflects the 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 (FOVCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where cash flows do not take the form of a basic debt instrument).

### 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 CI&ES 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 CI&ES is the amount receivable for the year in the loan agreement.

However, the Council has made loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the

CI&ES (debited to the appropriate service) 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 CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CI&ES to the net gain 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a twelve month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on its obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of twelve month expected losses.

### **Financial Assets at Fair Value through Profit & Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted price (unadjusted) in active markets for identical assets 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, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

## **10. FOREIGN CURRENCY TRANSLATION**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, a calculation is undertaken to convert the sums to sterling.

## **11. 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 Authority when there is reasonable assurance that:-

- The Authority 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 future economic benefits or service potential 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. 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.

## **12. INTANGIBLE ASSETS**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are, therefore, 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 £10,000) the Capital Receipts Reserve.

### **13. INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value based on a weighted average costing basis. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **14. 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to 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.

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. 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 £10,000) the Capital Receipts Reserve.



## **15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## **16. LEASES**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification, except for Investment Property.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Authority as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor, which may be higher than the asset value recognised. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:-

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated

useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Authority as Lessor**

#### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are, therefore, appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **17. 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. No de minimus is applied for capital spend.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is 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 Authority and the cost of the item can be measured reliably. 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.

### **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.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are assets that have been transferred to the Council at nil or less than fair value consideration and are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of

the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure and community assets – depreciated historical cost.
- Assets under construction – historical cost.
- All other operational assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Investment property – market value and not depreciated.
- Assets held for sale – lower of value before classified as held for sale and market value, and not depreciated.
- Heritage Assets – market value and not depreciated.

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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 by:

- 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 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 by:-

- 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.

Where an impairment loss is reversed subsequently, 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 by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated within the following ranges:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 1 - 152 years.
- Vehicles, plant, furniture and equipment: over the useful life between 1-25 years.
- Community Assets: 2-25 years
- Infrastructure – straight-line allocation between 1-60 years

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 of the value of the asset 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, and categorised based on significance, useful life and depreciation method.

Land is identified as a separate component in its own right.

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.

## **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. 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 (if any) 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 £10,000 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 Authority'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, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Equipment assets that are fully depreciated are written out two years later.

## **18. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

PFI contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the Property, Plant and Equipment can pass to the Council at the end of the contract for no additional charge, the Council carries the Property, Plant and Equipment used under the contract on the Balance Sheet.

The original recognition of the Property, Plant and Equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the Three Schools PFI project, the liability was written down by an initial advance payment of unitary charge of £9m.

Property, Plant and Equipment recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:-

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – recognised as Property, Plant and Equipment on the Balance Sheet.

## 19. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, but where the timing or amount of the transfer is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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 Authority settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority.

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.

## **20. RESERVES**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net cash effect on the financing of the revenue budget.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

## **21. 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 Authority 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 level of Council Tax. Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

## **22. VAT**

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.

## **23. COMPARATIVE FIGURES**

Comparative figures are shown where appropriate in financial statements, in accordance with the Code.



## **24. CASH FLOW STATEMENT**

The Cash Flow Statement and accompanying notes have been prepared using the indirect method.

## **25. HERITAGE ASSETS**

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Heritage assets (other than operational heritage assets) are normally measured at valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current.

Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses).

## **26. MINIMUM REVENUE PROVISION (MRP)**

The Council amended its MRP policy in 2016/17 in relation to supported borrowing and PFI. For supported borrowing, the policy was changed to calculate MRP based on 50 years for Council Fund debt on capital expenditure incurred prior to 1 April 2016, and based on expected useful life for capital expenditure incurred after 1 April 2016. For PFI the MRP policy was amended to calculate MRP based on expected useful life in 2016/17.

In 2017/18 the MRP policy was amended in relation to finance leases to calculate the MRP based on asset life.

There were no changes to the MRP policy in 2018/19.

In 2019/20 the MRP policy was amended for finance leases where the MRP charge is equal to the element of the rent charge that goes to write down the balance sheet liability (except for long life finance leases).

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants and council tax) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20	As Reported for Resource Management £'000	Adjustment to arrive at the net amount chargeable to the Council Fund £'000	Net Expenditure Chargeable to the Council Fund Balance £'000	Adjustments between the Funding and Accounting Basis (See Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Education	80,838	800	81,638	2,553	84,191
Social Services	65,511	223	65,734	4,361	70,095
Environment, Roads & Facilities	19,465	(142)	19,323	10,347	29,670
Community Development Services	5,911	79	5,990	3,720	9,710
Regulatory & Housing Services	5,426	(131)	5,295	2,139	7,434
Corporate Financial Services	1,208	67	1,275	345	1,620
Audit & Procurement	531	6	537	96	633
Revenues and Benefits Service	11,436	(45)	11,391	(9,777)	1,614
Law & Governance	1,708	(66)	1,642	442	2,084
Information Technology	2,093	(245)	1,848	627	2,475
Chief Executive's Department	1,478	265	1,743	1,399	3,142
Theatres	1,138	105	1,243	889	2,132
Corporate Human Resources	1,036	(71)	965	216	1,181
Corporate Costs and Income	5,332	2,643	7,975	708	8,683
<b>Net Cost Of Service</b>	<b>203,111</b>	<b>3,488</b>	<b>206,599</b>	<b>18,065</b>	<b>224,664</b>
Other Income and Expenditure	(203,049)	(208)	(203,257)	(2,701)	(205,958)
<b>(Surplus) or Deficit</b>	<b>62</b>	<b>3,280</b>	<b>3,342</b>	<b>15,364</b>	<b>18,706</b>
Opening Council Fund Balance at 31 March 2019					
			(18,380)		
Less Deficit on Council Fund Balance in Year					
			3,342		
Less Other Movements, not included above, relating to Capital Reserves, Capital Receipts Reserve and Capital Grants Unapplied (see note 10 for breakdown)					
			715		
<b>Closing Council Fund Balance at 31 March 2020</b>			<b>(14,323)</b>		

2018/19	As Reported for Resource Management £'000	Adjustment to arrive at the net amount chargeable to the Council Fund £'000	Net Expenditure Chargeable to the Council Fund Balance £'000	Adjustments between the Funding and Accounting Basis (See Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Education	79,296	1,189	80,485	9,400	89,885
Social Services	63,747	175	63,922	3,679	67,601
Environment, Roads & Facilities	20,791	(11)	20,780	9,546	30,326
Community Development Services	5,722	58	5,780	2,717	8,497
Regulatory & Housing Services	5,209	(86)	5,123	1,050	6,173
Corporate Financial Services	1,333	(16)	1,317	280	1,597
Audit & Procurement	557	(10)	547	65	612
Revenues and Benefits Service	10,874	20	10,894	(9,298)	1,596
Law & Governance	1,805	(41)	1,764	369	2,133
Information Technology	2,111	(383)	1,728	585	2,313
Chief Executive's Department	1,503	414	1,917	654	2,571
Theatres	1,120	33	1,153	1,048	2,201
Corporate Human Resources	1,024	28	1,052	164	1,216
Corporate Costs and Income	6,380	961	7,341	2,454	9,795
<b>Net Cost Of Service</b>	<b>201,472</b>	<b>2,331</b>	<b>203,803</b>	<b>22,713</b>	<b>226,516</b>
Other Income and Expenditure	(197,590)	67	(197,523)	(2,534)	(200,057)
<b>Surplus or Deficit</b>	<b>3,882</b>	<b>2,398</b>	<b>6,280</b>	<b>20,179</b>	<b>26,459</b>

Opening Council Fund Balance at 31 March 2018	(22,747)
Less Deficit on Council Fund Balance in Year	6,280
Less Other Movements, not included above, relating to Capital Reserves, Capital Receipts Reserve and Capital Grants Unapplied (see note 10 for breakdown)	(1,913)
<b>Closing Council Fund Balance at 31 March 2019</b>	<b>(18,380)</b>

## Comprehensive Income and Expenditure Statement

2018/19			2019/20				
Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
111,227	(21,342)	89,885	Education		107,912	(23,721)	84,191
92,779	(25,178)	67,601	Social Services		95,995	(25,900)	70,095
43,762	(13,436)	30,326	Environment, Roads & Facilities		44,517	(14,847)	29,670
14,807	(6,310)	8,497	Community Development Services		15,888	(6,178)	9,710
13,106	(6,933)	6,173	Regulatory & Housing Services		14,711	(7,277)	7,434
2,307	(710)	1,597	Corporate Financial Services		2,155	(535)	1,620
625	(13)	612	Audit & Procurement		644	(11)	633
37,735	(36,139)	1,596	Revenues and Benefits Service		34,076	(32,462)	1,614
3,260	(1,127)	2,133	Law & Governance		3,308	(1,224)	2,084
2,729	(416)	2,313	Information Technology		2,911	(436)	2,475
3,532	(961)	2,571	Chief Executive's Department		3,580	(438)	3,142
8,309	(6,108)	2,201	Theatres and Conference Centre		8,342	(6,210)	2,132
1,254	(38)	1,216	Corporate Human Resources		1,530	(349)	1,181
12,347	(2,552)	9,795	Corporate Costs and Income		10,100	(1,417)	8,683
347,779	(121,263)	226,516	Cost of Services		345,669	(121,005)	224,664
20,345		20,345	Other Operating Expenditure	7	22,565		22,565
27,563	(15,424)	12,139	Financing & Investment Income & Expenditure	8	27,798	(14,938)	12,860
	(232,541)	(232,541)	Local Taxation & Non-Specific Grant Income	9		(241,383)	(241,383)
		26,459	(Surplus) or Deficit on Provision of Services				18,700
		(1,192)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	22			(61,835)
		13	(Surplus) or Deficit on Revaluation of Available for sale Financial Assets	22			(27)
		(1,179)					(61,862)
		32,322	Remeasurement of the net defined benefit liability	22			(61,225)
		31,143	Other Comprehensive Income & Expenditure				(123,087)
		57,602	Total Comprehensive Income & Expenditure				(104,381)

**Movement in Reserves Statement for the year ended 31 March 2020**

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2019</b>	11,22	2,427	10,005	1,682	1,477	2,788	18,379	(121)	18,258
<b>Movement in Reserves during 2019/20</b>									
Surplus or (Deficit) on the Provision of Services		(18,706)	-	-	-	-	(18,706)	-	(18,706)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	123,087	123,087
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(18,706)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,706)</b>	<b>123,087</b>	<b>104,381</b>
Adjustments between Accounting basis & Funding basis under Regulations	10	15,365	-	232	(408)	(539)	14,650	(14,650)	-
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>		<b>(3,341)</b>	<b>-</b>	<b>232</b>	<b>(408)</b>	<b>(539)</b>	<b>(4,056)</b>	<b>108,437</b>	<b>104,381</b>
Transfers to/(from) Earmarked Reserves	11	3,280	(2,465)	(815)	-	-	-	-	-
<b>Increase/(Decrease) in 2019/20</b>	<b>11</b>	<b>(61)</b>	<b>(2,465)</b>	<b>(583)</b>	<b>(408)</b>	<b>(539)</b>	<b>(4,056)</b>	<b>108,437</b>	<b>104,381</b>
<b>Balance as at 31 March 2020</b>	<b>11,22</b>	<b>2,366</b>	<b>7,540</b>	<b>1,099</b>	<b>1,069</b>	<b>2,249</b>	<b>14,323</b>	<b>108,316</b>	<b>122,639</b>

**Movement in Reserves Statement for the year ended 31 March 2019**

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2018</b>	11,22	6,309	12,851	1,657	1,354	576	22,747	53,113	75,860
<b>Movement in Reserves during 2018/19</b>									
Surplus or (Deficit) on the Provision of Services		(26,459)	-	-	-	-	(26,459)	-	(26,459)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(31,143)	(31,143)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(26,459)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,459)</b>	<b>(31,143)</b>	<b>(57,602)</b>
Adjustments between Accounting basis & Funding basis under Regulations	10	20,179	-	(423)	123	2,212	22,091	(22,091)	-
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>		<b>(6,280)</b>	<b>-</b>	<b>(423)</b>	<b>123</b>	<b>2,212</b>	<b>(4,368)</b>	<b>(53,234)</b>	<b>(57,602)</b>
Transfers to/(from) Earmarked Reserves	11	2,398	(2,846)	448	-	-	-	-	-
<b>Increase/(Decrease) in 2018/19</b>	<b>11</b>	<b>(3,882)</b>	<b>(2,846)</b>	<b>25</b>	<b>123</b>	<b>2,212</b>	<b>(4,368)</b>	<b>(53,234)</b>	<b>(57,602)</b>
<b>Balance as at 31 March 2019</b>	<b>11,22</b>	<b>2,427</b>	<b>10,005</b>	<b>1,682</b>	<b>1,477</b>	<b>2,788</b>	<b>18,379</b>	<b>(121)</b>	<b>18,258</b>

## **Balance Sheet**

	Notes	31 March 2020	31 March 2019
		£'000	£'000
Property, Plant & Equipment	12	496,115	417,490
Heritage Assets		194	194
Investment Property	13	12,140	12,004
Intangible Assets	15	629	877
Available for Sale Financial Assets	16	1,817	1,790
Long Term Debtors	16	4,797	4,831
<b>Long Term Assets</b>		<b>515,692</b>	<b>437,186</b>
Short Term Investments	16	9,180	10,169
Inventories		1,192	1,109
Short Term Debtors	17	42,724	38,581
Cash & Cash Equivalents	18	6,724	6,422
Assets Held for Sale	14	1,428	825
<b>Current Assets</b>		<b>61,248</b>	<b>57,106</b>
Short Term Borrowing	16	83,171	63,721
Short Term Creditors	19	25,438	25,567
Provisions	20	922	1,573
<b>Current Liabilities</b>		<b>109,531</b>	<b>90,861</b>
Pension Liability	39	176,674	215,241
Provisions	20	-	18
Long term Borrowing	16	114,100	114,456
Other Long term Liabilities	16	51,588	53,133
Capital Grants Receipts in Advance	32	2,407	2,325
<b>Long Term Liabilities</b>		<b>344,769</b>	<b>385,173</b>
<b>Net Assets</b>		<b>122,640</b>	<b>18,258</b>
Usable Reserves	21	14,323	18,379
Unusable Reserves	22	108,317	(121)
<b>Total Reserves</b>		<b>122,640</b>	<b>18,258</b>

## Cash Flow Statement

2018/19		Note	2019/20
£'000			£'000
26,458	Net (Surplus)/Deficit on the Provision of Services		18,706
(44,030)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	23	(35,511)
15,201	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	24	15,064
(2,371)	Net Cash Flows From Operating Activities		(1,741)
10,310	Investing Activities	25	17,636
(200)	Financing Activities	26	(16,197)
7,739	Net (Increase) or Decrease in Cash and Cash Equivalents		(302)
14,162	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	<b>18</b>	<b>6,423</b>
6,423	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>18</b>	<b>6,725</b>



## **Notes to the Accounts**

### **1. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

Due to the Covid-19 outbreak the implementation of IFRS 16 has been deferred to the 2020/21 Code

The various changes covered by the Annual Improvements to IFRS's cycles are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the Statement of Accounts.

### **2. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### **(i) Local Government Funding**

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **(ii) PFI Scheme**

The Council has one PFI contract for the provision of 3 schools. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver these contracts. Consequently, the assets relating to these contracts (£65.2m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12. Details of the values of these assets are disclosed in Notes 12 (PPE) and 37 (PFI).

#### **(iii) Public Sector Pensions**

There is future uncertainty about the impact of the UK Government losing the McCloud Judgement. However, it is not considered that this will have a material impact on the accounts.

### 3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
PROPERTY, PLANT & EQUIPMENT	Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets. Note 12 refers to material valuation uncertainty with respect to property, plant and equipment which is a result of the Covid 19 pandemic.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. The annual depreciation charge for property, plant & equipment would increase by £2.55m for every year that useful lives had to be reduced
PROVISIONS	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, but where the timing or amount of the transfer is uncertain.	If the provision is found to be inadequate the additional amount will need to be provided from the Authority's revenue.
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements 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 consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Note 39 refers to material valuation uncertainty with respect to pooled property investment valuations which is a result of the Covid 19 pandemic.	The returns on Pension Fund Assets continues to fluctuate which affects the liability. See Note 39 for details.
ARREARS	At March 2020, the Council had a balance for sundry debtors of £11.4m. A bad debt provision of £259k is held which is included in the bad debt provision of £2.091m in Note 17. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the amount of the impairment of doubtful debts would require and additional £259k to set aside as an allowance.
COVID 19 AND THE UK LEAVING THE EUROPEAN UNION: ASSET VALUES AND PENSION LIABILITY	There is a high level of uncertainty about the implications of Covid 19 and the UK leaving the European Union. Global markets, asset valuations, and financial resilience generally are likely to be affected by the economic turbulence this may produce. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. The assumption made will need to be reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will vary.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

#### **4. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Strategic Director – Finance & Efficiencies on 30 September 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 5.

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CI&ES). The relevant transfers between reserves are explained in the Movement in Reserves Statement.

	2019/20				2018/19			
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Education	(1,951)	4,400	104	2,553	5,927	3,243	230	9,400
Social Services	(257)	4,560	58	4,361	370	3,238	71	3,679
Environment, Roads & Facilities	7,775	2,618	(46)	10,347	7,785	1,861	(100)	9,546
Community Development Services	2,226	1,109	385	3,720	1,646	808	263	2,717
Regulatory & Housing Services	1,201	948	(10)	2,139	392	660	(2)	1,050
Corporate Financial Services	26	319	0	345	25	255	0	280
Audit & Procurement	0	96	0	96	0	65	0	65
Revenues and Benefits Service	3	416	(10,196)	(9,777)	3	311	(9,612)	(9,298)
Law & Governance	10	443	(11)	442	13	343	13	369
Information Technology	279	475	(127)	627	315	382	(112)	585
Chief Executive's Department	1,009	292	98	1,399	319	235	100	654
Theatres	358	530	1	889	646	382	20	1,048
Corporate Human Resources	7	209	0	216	0	163	1	164
Corporate Costs and Income	768	877	(937)	708	5,069	(1,120)	(1,495)	2,454
<b>Net Cost Of Service</b>	<b>11,454</b>	<b>17,292</b>	<b>(10,681)</b>	<b>18,065</b>	<b>22,510</b>	<b>10,826</b>	<b>(10,623)</b>	<b>22,713</b>
Other Income and Expenditure	(19,270)	5,367	11,202	(2,701)	(18,095)	4,608	10,953	(2,534)
<b>(Surplus) or Deficit</b>	<b>(7,816)</b>	<b>22,659</b>	<b>521</b>	<b>15,364</b>	<b>4,415</b>	<b>15,434</b>	<b>330</b>	<b>20,179</b>

## a) Adjustments for Capital Purposes

- (i) Services line - this column adds in depreciation, amortisation, impairment and revaluation gains and losses.
- (ii) Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- (iii) Financing and Investment Income and Expenditure and certain Services line - the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted as these are not chargeable under general accepted accounting practices.
- (iv) Taxation and Non Specific Grant Income and Expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## b) Net change for the removal of pension contributions and the addition of pension (IAS 19) related expenditure and income

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- (i) For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service / curtailment costs.
- (ii) For Other Operating Expenditure - this adjustment is for pensions administration costs
- (iii) For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CI&ES.

## c) Other Adjustments

Other Differences between amounts debited/credited to the CI&ES and amounts payable/receivable to be recognised under statute:

- (i) For Services line - this includes an adjustment for accumulated absences earned but not taken in the year.
- (ii) For Financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts.

## 6. Expenditure and Income Analysed by Nature

	2019/20 £'000	2018/19 £'000
<b>Expenditure</b>		
Employee benefits expenses	148,795	137,337
Employee benefits expenses of Voluntary Aided and Foundation Schools	18,962	18,325
Other services expenses	185,826	188,011
Depreciation, amortisation, impairment	12,530	24,212
Interest Payments	7,354	7,457
Precepts and levies	22,401	20,940
(Gain)/Loss on the disposal of assets	164	(595)
<b>Total Expenditure</b>	<b>396,032</b>	<b>395,687</b>
<b>Income</b>		
Fees, charges and other service income	(64,025)	(64,718)
Interest and investment income	(203)	(186)
Income from Council Tax and Non Domestic Rates	(110,090)	(103,156)
Government grants and contributions	(203,008)	(201,168)
<b>Total Income</b>	<b>(377,326)</b>	<b>(369,228)</b>
<b>(Surplus) or Deficit</b>	<b>18,706</b>	<b>26,459</b>

## 7. Other Operating Expenditure

2018/19 £000		2019/20 £000
12,913	Police and Crime Commissioner for North Wales Precept	13,968
2,137	Community Council Precepts	2,238
5,590	North Wales Fire and Rescue Authority	5,876
300	Other Levies	319
(595)	Gains/Losses on the disposal of non-current assets	164
-	Finance Lease Liabilities	-
<b>20,345</b>	<b>Total</b>	<b>22,565</b>

## 8. Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
8,100	Interest payable & similar charges	8,279
18,486	Pensions interest cost	18,774
(13,923)	Expected return on pensions assets	(13,473)
(186)	Interest receivable & similar income	(203)
(370)	Income & expenditure in relation to investment properties & changes in their fair value	(606)
32	Trading Operations	89
<b>12,139</b>	<b>Total</b>	<b>12,860</b>

## 9. Local Taxation and Non Specific Grant Income

2018/19 £000		2019/20 £000
(64,996)	Council Tax income	(71,810)
(38,160)	Non domestic rates	(38,497)
(115,455)	Non-ring fenced government grants	(115,696)
(13,930)	Capital grants & contributions	(15,380)
<b>(232,541)</b>	<b>Total</b>	<b>(241,383)</b>

# 10. Adjustments between Accounting Basis and Funding Basis under Regulation

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 Authority to meet future capital and revenue expenditure.

	Usable Reserves					Unusable Reserves
	Council Fund Balance £'000	Farmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>2019/20</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	16,859	-	-	-	16,859	(16,859)
Revaluation losses on Property, Plant and Equipment	(4,625)	-	-	-	(4,625)	4,625
Revaluation losses on Assets Held for Sale	36	-	-	-	36	(36)
Movement in the market value of Investment Properties	(136)	-	-	-	(136)	136
Amortisation of Intangible assets	260	-	-	-	260	(260)
Capital grants and contributions applied	(15,919)	-	-	-	(15,919)	15,919
Revenue expenditure funded from capital under statute	868	-	-	-	868	(868)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	716	-	-	-	716	(716)
Administration costs of asset disposal in advance of receipt	17	-	-	-	17	(17)
Difference between asset value & Lease liability	-	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(5,861)	-	-	-	(5,861)	5,861
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	539	-	-	(539)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-

	Usable Reserves					Unusable Reserves	
	Balance	Capital Reserves	Capital Receipts	Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2019/20</b>							
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(552)	-	552	-	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	-	-	-	-	-
Finance Lease Rental Principal	-	-	44	-	44	(44)	(44)
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(985)	-	(985)	985	985
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	39	-	(19)	-	20	(20)	(20)
Amelioration of Finance Lease Rentals	62	-	-	-	62	(62)	(62)
Additional Finance Lease Asset	-	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Reserves:</b>							
Use of Capital Reserve to finance new capital expenditure	-	232	-	-	232	(232)	(232)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
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	(41)	-	-	-	(41)	41	41
<b>Adjustments primarily involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	38,351	-	-	-	38,351	(38,351)	(38,351)
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,693)	-	-	-	(15,693)	15,693	15,693
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account</b>							
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	445	-	-	-	445	(445)	(445)
<b>Total Adjustments</b>	<b>15,365</b>	<b>232</b>	<b>(408)</b>	<b>(539)</b>	<b>14,650</b>	<b>(14,650)</b>	<b>52</b>



	Usable Reserves					Unusable Reserves
	Council Fund Balance £'000	earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>2018/19 Comparative Figures</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	16,779	-	-	-	16,779	(16,779)
Revaluation losses on Property, Plant and Equipment	7,159	-	-	-	7,159	(7,159)
Revaluation losses on Assets Held for Sale	-	-	-	-	-	-
Movement in the market value of Investment Properties	(293)	-	-	-	(293)	293
Amortisation of Intangible assets	274	-	-	-	274	(274)
Capital grants and contributions applied	(11,718)	-	-	-	(11,718)	11,718
Revenue expenditure funded from capital under statute	228	-	-	-	228	(228)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	903	-	-	-	903	(903)
Administration costs of asset disposal in advance of receipt	28	-	-	-	28	(28)
Difference between asset value & Lease liability	-	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(5,206)	-	-	-	(5,206)	5,206
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,212)	-	-	2,212	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-

	Usable Reserves				Unusable Reserves	
	Council Fund Balance £'000	earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>2018/19 Comparative Figures</b>						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,498)	-	1,498	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	-	-	-	-
Finance Lease Rental Principal	-	-	41	-	41	(41)
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,377)	-	(1,377)	1,377
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(20)	-	(39)	-	(59)	59
Amelioration of Finance Lease Rentals	60	-	-	-	60	(60)
Additional Finance Lease Asset	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Reserves:</b>						
Use of Capital Reserve to finance new capital expenditure	-	(423)	-	-	(423)	423
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
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	(50)	-	-	-	(50)	50
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	30,626	-	-	-	30,626	(30,626)
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,194)	-	-	-	(15,194)	15,194
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account</b>						
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	313	-	-	-	313	(313)
<b>Total Adjustments</b>	<b>20,179</b>	<b>(423)</b>	<b>123</b>	<b>2,212</b>	<b>22,091</b>	<b>(22,091)</b>

# 11. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure.

	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
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation	3,364	(1,274)	405	2,495	(1,156)	553	1,892
<b>Service Reserves:</b>							
Community Development	914	(504)	235	645	(302)	304	647
Tramway - Maintenance Programme	226	(41)	-	185	(32)	-	153
Environment, Roads & Facilities	235	(61)	142	316	-	23	339
IT / E-Government	251	-	389	640	(46)	313	907
Human Resources	210	(90)	44	164	(60)	67	171
Revenues & Benefits	356	(92)	-	264	(83)	35	216
Internal Audit	120	-	10	130	(67)	-	63
Other Services	593	(132)	87	548	(159)	140	529
Theatres - Repairs & Renewals	200	(43)	-	157	(105)	-	52
Regulatory & Housing Services	143	(9)	-	134	-	89	223
Social Services	224	(78)	-	146	(95)	-	51
Education Services	372	(372)	163	163	(159)	-	4

	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Reserves:</i>							
Apprenticeships Reserve	131	(100)	26	57	(19)	14	52
Budget Recovery Reserve 2019/20	512	(720)	528	320	(559)	239	-
Winter Maintenance	83	-	-	83	-	-	83
Insurance Reserves	1,847	(628)	720	1,939	(1,076)	587	1,450
PFI Unitary Charge	1,610	(1,038)	106	678	(984)	306	-
Redundancy & Retirement	20	(20)	-	-	-	-	-
Managed Print Service	67	(30)	71	108	(52)	-	56
Other	811	(987)	501	325	(568)	460	217
Earmarked Grants Reserves	560	(535)	483	508	(413)	340	435
<b>Total Earmarked Reserves</b>	<b>12,849</b>	<b>(6,754)</b>	<b>3,910</b>	<b>10,005</b>	<b>(5,935)</b>	<b>3,470</b>	<b>7,540</b>
<b>Total Capital Reserves</b>	<b>1,658</b>	<b>(1,413)</b>	<b>1,437</b>	<b>1,682</b>	<b>(2,125)</b>	<b>1,541</b>	<b>1,098</b>

The following table gives a brief description of the purpose of the reserves:

Reserve	Description
<b>Service Reserves:</b>	
Community Development	Represents several amounts set aside for earmarked projects or risks, e.g. Regeneration and Service Modernisation/Development, On-going Repairs and Renewals of Facilities.
Tramway - Maintenance Programme	An earmarked reserve to support the ongoing maintenance programme for the Great Orme Victorian Tramway.
Environment, Roads & Facilities	Represents several amounts set aside for earmarked projects or risks, e.g. Asset Management Planning, Street Parking Machines
IT / E-Government	Represents several amounts set aside for earmarked projects or risks, e.g. Purchase of Software Licences, Storage for Personal Shared Devices
Human Resources	Represents several amounts set aside for earmarked projects or risks, e.g. Support for Managing Sickness Absence.
Revenues & Benefits	Represents several amounts set aside for earmarked projects or risks, e.g. Support for HB Admin, Financial Assessment System Hardware & Software
Internal Audit	Represents several amounts set aside for earmarked projects or risks, e.g. Restructure Costs, E-procurement Solution
Other Services	Represents several amounts set aside for earmarked projects or risks, e.g. IT Transformation Development, One Conwy Project
Theatres - Repairs & Renewals	An earmarked reserve to support the ongoing repairs and renewal programme for the Theatres.
Regulatory & Housing Services	Represents several amounts set aside for earmarked projects or risks, e.g. Development Control Risk, Building Control Risk
Social Services	Represents the trading account of Galw Gofal.
Education Services	Represents several amounts set aside for earmarked projects or risks, e.g. ALN Transformation, Period Dignity
<b>Corporate Reserves:</b>	
Apprenticeships Reserve	An earmarked reserve to support the employment of Modern Apprentices
Budget Recovery Reserve 2019/20	Created to assist in funding 2019/20 Budget
Insurance Reserves	Created to fund any future liabilities such as Municipal Mutual Insurance (MMI) and known claims
PFI Unitary Charge	Created to contribute to the funding of future PFI Unitary Charge payments
Managed Print Service	Represents an amount set aside to fund a temporary post
Other	To meet a variety of other commitments such as Council Elections and Home to School Transport
Earmarked Grants Reserves	Represent income from Government grants received which have no conditions attached but which have been set aside for use in the provision of specific services

## 12. Property, Plant and Equipment

Movements in 2019/20:	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>								
At 1 April 2019	337,606	34,881	155,322	6,769	81	9,207	543,866	49,456
Additions	9,882	6,112	11,929	119		2,300	30,342	819
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	62,196						62,196	19,132
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	4,794				(71)		4,723	1,568
Derecognition - Disposals	(790)	(929)					(1,719)	-
Transfers from Assets under Construction	6,958		20			(6,978)	-	489
Accumulated Depreciation and Impairment Written Out on Revaluation	(34,570)						(34,570)	-
Assets Reclassified (to)/from Land and Buildings	(920)				920		-	
Assets Reclassified (to)/from Investment Properties							-	
Assets Reclassified (to)/from Held for Sale	(603)						(603)	
Other movement	(50)						(50)	
<b>At 31 March 2020</b>	<b>384,503</b>	<b>40,064</b>	<b>167,271</b>	<b>6,888</b>	<b>930</b>	<b>4,529</b>	<b>604,185</b>	<b>71,464</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2019	(27,192)	(19,737)	(74,719)	(4,728)	-	-	(126,376)	(5,004)
Depreciation Charge	(5,541)	(3,614)	(5,942)	(244)	-	-	(15,341)	(1,251)
Depreciation Written Out to the Revaluation Reserve	(1,518)				-	-	(1,518)	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(97)				-	-	(97)	-
Impairment Losses recognised in the Revaluation Reserve	(361)				-	-	(361)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	34,570				-	-	34,570	-
Derecognition - disposals	74	929			-	-	1,003	-
Other movement	50						50	
<b>At 31 March 2020</b>	<b>(15)</b>	<b>(22,422)</b>	<b>(80,661)</b>	<b>(4,972)</b>	<b>-</b>	<b>-</b>	<b>(108,070)</b>	<b>(6,255)</b>
<b>Net Book Value</b>								
at 31 March 2020	384,488	17,642	86,610	1,916	930	4,529	496,115	65,209
at 31 March 2019	310,414	15,144	80,603	2,041	81	9,207	417,490	44,452

<b>Movements in 2018/19:</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>								
At 1 April 2018	300,722	30,705	149,317	6,675	81	9,354	496,854	49,456
Additions	39,871	4,562	5,610	94	-	6,335	56,472	778
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	1,447	-	-	-	-	-	1,447	(261)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,158)	-	-	-	-	-	(7,158)	(517)
Derecognition - Disposals	(422)	(2,356)	-	-	-	-	(2,778)	-
Transfers from Assets under Construction	3,971	1,970	395	-	-	(6,482)	(146)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from Held for Sale	(825)	-	-	-	-	-	(825)	-
Other Movements in Cost or Valuation, etc	-	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>337,606</b>	<b>34,881</b>	<b>155,322</b>	<b>6,769</b>	<b>81</b>	<b>9,207</b>	<b>543,866</b>	<b>49,456</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2018	(20,016)	(18,720)	(68,943)	(4,379)	-	-	(112,058)	(3,753)
Depreciation Charge	(6,441)	(3,358)	(5,776)	(349)	-	-	(15,924)	(1,251)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(505)	-	-	-	-	-	(505)	-
Impairment Losses recognised in the Revaluation Reserve	(255)	-	-	-	-	-	(255)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	-	-	-	-	-	-	-	-
Derecognition - disposals	25	2,341	-	-	-	-	2,366	-
<b>At 31 March 2019</b>	<b>(27,192)</b>	<b>(19,737)</b>	<b>(74,719)</b>	<b>(4,728)</b>	<b>-</b>	<b>-</b>	<b>(126,376)</b>	<b>(5,004)</b>
<b>Net Book Value</b>								
at 31 March 2019	310,414	15,144	80,603	2,041	81	9,207	417,490	44,452
at 31 March 2018	280,706	11,985	80,374	2,296	81	9,354	384,796	45,703

## Capital Commitments

At 31 March 2020, the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £3.808m. Similar commitments at 31 March 2019 were £3.686m. A de minimis of £50k has been applied to capital commitments. The major commitments are:

<b>Council Fund Capital Programme Scheme</b>	<b>Contracted Future Cost £'000</b>
Venue Cymru Re-configuration	445
Penmaen Road (Tre Morfa) Infrastructure and Build	1,996
Penmaen Road (Tre Morfa) Design and Management	86
7, Abergele Road Renovation	215
Ysgol Dyffryn yr Enfys	70
Waterfront - Old Colwyn Splash Point (ATF)	735
TRI Housing Renewal	60
Bangor Back Lane	127
Augmented Reality Trail and Launch	64
<b>Total</b>	<b>3,798</b>

## Revaluations

The Authority carries out a revaluation exercise every 5 years of all Property, Plant and Equipment required to be measured at fair value. Valuations of land and buildings were carried out internally by the County Valuer and Asset Manager, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The assets were revalued as at 31 March 2020. Assets Held for Sale and Investment Properties are re-valued annually, and other assets are valued at historic cost.

## Disclosure Note regarding Schools

The Council does not include schools' property, plant and equipment in its Balance Sheet where it does not own or have significant control over the economic benefits of these assets. This means that property, plant and equipment of Voluntary Controlled and Voluntary Aided schools are not recognised on the Council's Balance Sheet, whereas the property, plant and equipment of community and foundation schools are recognised on its Balance Sheet. The income and expenditure for all schools is included within the CI&ES and any unspent resources held by schools are included within earmarked reserves in the Council's Balance Sheet.



## **Use of Capital Receipts For Service Reform**

In 2019/20 the Authority used Capital Receipts for Service Reform in the sum of £998k. This included the Modernisation Programme whose main objectives are to implement Workwise across the Authority, project management costs of other reform projects, and other service reform costs across the Authority.

## **Impact of COVID-19 on Global Markets**

The following statement in relation to valuation uncertainty has been provided by Conwy County Borough Council's valuers:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of Council Assets under frequent review."

### 13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2019/20 £000	2018/19 £000
Rental income from Investment Property	470	427
<b>Net gain/(loss)</b>	<b>470</b>	<b>427</b>

The following table summarises the movement in the fair value of investment properties over the year:-

Fair Value of Investment Properties	2019/20	2018/19
	£'000	£'000
<b>Balance at start of year</b>	<b>12,004</b>	<b>12,061</b>
Additions:		
▪ Purchases	-	-
▪ Construction	-	-
▪ Subsequent Expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	137	293
Transfers:		
▪ (to)/from surplus assets	-	-
▪ (to)/from Property, Plant and Equipment	-	-
▪ (to)/from Assets Held For Sale	-	-
Impairment Losses	-	(350)
<b>Balance at year end</b>	<b>12,141</b>	<b>12,004</b>

#### 14. Assets Held For Sale

	2019/20	2018/19
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>825</b>	<b>492</b>
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	603	825
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses	(36)	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	-	-
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Assets Sold	-	(492)
Transfers from Non-Current to Current	-	-
Additions	36	
<b>Balance outstanding at year end</b>	<b>1,428</b>	<b>825</b>

## 15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are between 1 and 9 years.

The movement on Intangible Asset balances during the year is as follows:

	2019/20		2018/19
	£'000		£'000
<b>Balance at start of year:</b>			
▪ Gross Carrying Amounts	3,035		2,783
▪ Accumulated Amortisation	(2,157)		(1,883)
Net carrying amount at start of year	878		900
Additions:			
▪ Purchases	12		105
▪ Transfer from Assets Under Construction	-		147
Amortisation for the period	(260)		(274)
<b>Net carrying amount at end of year</b>	<b>630</b>		<b>878</b>
Comprising:			
▪ Gross carrying amounts	3,047		3,035
▪ Accumulated amortisation	(2,417)		(2,157)
	630		878

There are no internally generated intangible assets.

## 16. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term			Current	
	31 March 2020	31 March 2019		31 March 2020	31 March 2019
	£'000	£'000		£'000	£'000
<b>Investments</b>					
Loans and receivables				9,180	10,169
Available-for-sale financial assets	1,817	1,790		-	-
<b>Total Investments</b>	<b>1,817</b>	<b>1,790</b>		<b>9,180</b>	<b>10,169</b>
<b>Debtors</b>					
Loans and receivables	4,797	4,831		-	-
Financial assets carried at contract amounts				42,724	38,581
<b>Total Debtors</b>	<b>4,797</b>	<b>4,831</b>		<b>42,714</b>	<b>38,581</b>
<b>Borrowings</b>					
Financial liabilities at amortised cost	114,100	114,456		83,171	63,721
<b>Total Borrowings</b>	<b>114,100</b>	<b>114,456</b>		<b>83,171</b>	<b>63,721</b>
<b>Other Liabilities</b>					
PFI and finance lease liabilities	49,781	52,090		2,308	1,854
<b>Total Other Liabilities</b>	<b>49,781</b>	<b>52,090</b>		<b>2,308</b>	<b>1,854</b>
<b>Creditors</b>					
Financial liabilities carried at contract amount	1,807	1,043		23,130	23,714
<b>Total Creditors</b>	<b>1,807</b>	<b>1,043</b>		<b>23,130</b>	<b>23,714</b>

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The nature and extent of risks arising from Financial Instruments are disclosed in Note 43.

#### Analysis of short term Investments:

	31 March 2020	31 March 2019
	£'000	£'000
Financial Assets - Investments	9,180	10,169
Cash Equivalents - Investments	7,050	9,750
Cash Equivalents - Foundation Schools Investments	213	221
Accruals	(28)	(29)
<b>Investments</b>	<b>16,415</b>	<b>20,111</b>

#### Analysis of long and short term actual debt outstanding:

	31 March 2020 £'000	31 March 2019 £'000
Financial Liabilities: Long Term Borrowing	114,100	114,456
Financial Liabilities: Short Term Borrowing	83,171	63,721
	197,272	178,177
Less PWLB Interest Accruals	(764)	(1,765)
Market Loans Interest Accruals	(310)	(249)
Stepped Loan Effective Interest Rate adjustment	(148)	(150)
Premium adjustment to Modified Loan	692	696
IFRS9 loan modification	144	144
Soft loan accounting entries	103	97
<b>Debt Outstanding</b>	<b>196,988</b>	<b>176,950</b>

#### Income, Expense, Gains & Losses

	2019/20				2018/19			
	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	6,419	-	-	6,419	6,287	-	-	6,287
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	49	-	-	49	43	-	-	43
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>6,468</b>	<b>-</b>	<b>-</b>	<b>6,468</b>	<b>6,330</b>	<b>-</b>	<b>-</b>	<b>6,330</b>
Interest income	-	(110)	-	(110)	-	(104)	-	(104)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increase/Decrease in fair value	-	11	27	38	-	(21)	13	(8)
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(99)</b>	<b>27</b>	<b>(72)</b>	<b>-</b>	<b>(125)</b>	<b>13</b>	<b>(112)</b>
<b>Net (Gain) Loss for the year</b>	<b>6,468</b>	<b>(99)</b>	<b>27</b>	<b>6,396</b>	<b>6,330</b>	<b>(125)</b>	<b>13</b>	<b>6,218</b>

## Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2020 of 1.51% to 2.18% for loans from the PWLB and 2.09% to 2.13% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- In 2019/20 the Transfer Rate as per IFRS13 was used.

The fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value which include:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices.

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g., interest rates or yields for similar instruments.

Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

The PWLB loans and the LOBO and other long term loans are calculated using Level 2 inputs.

The fair values calculated are as follows:

	31 March 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short-term Borrowing	83,171	83,171	63,721	63,721
Long-term Borrowing	114,100	201,988	114,456	194,331
Short-term Creditors	25,438	25,438	25,567	25,567
Other long-term Liabilities	51,588	57,651	53,133	64,035
<b>Total</b>	<b>274,297</b>	<b>368,248</b>	<b>256,877</b>	<b>347,654</b>

	31 March 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short-term Investments	9,180	9,180	10,169	10,169
Short-term Debtors	42,724	42,724	38,581	38,581
Long-term Debtors	4,797	4,797	4,831	4,831
<b>Total</b>	<b>56,701</b>	<b>56,701</b>	<b>53,581</b>	<b>53,581</b>

Errors in the fair value of the long term borrowing and other long term liabilities as at 31 March 2019 above have been corrected, including one value from £495,447k to £194,331k, and there have been equivalent changes in the totals in the table.

The fair values of the long term borrowing and long term liabilities have been adjusted by the elements included in the short term borrowing and short term creditors figures respectively.

## 17. Debtors

	31 March 2020 £'000	31 March 2019 £'000
Trade	39,621	35,115
Other	3,510	3,057
Prepayments	1,684	2,504
<b>Total</b>	<b>44,815</b>	<b>40,676</b>
Expected credit loss	(2,091)	(2,095)
<b>Net Debtors</b>	<b>42,724</b>	<b>38,581</b>

The Council's write-off policy is outlined in the Council's Financial Regulations.

## 18. Cash and Cash Equivalents

	31 March 2020	31 March 2019
	£'000	£'000
Cash Held by the Authority	1,983	1,514
Bank Current Accounts	(2,522)	(5,063)
Short-term Deposits	7,050	9,750
Short-term Deposits - Foundation Schools	213	221
<b>Total Cash &amp; Cash Equivalents</b>	<b>6,724</b>	<b>6,422</b>



## 19. Creditors

	31 March 2020 £'000	31 March 2019 £'000
Trade	22,249	22,685
Other	3,189	2,882
<b>Total</b>	<b>25,438</b>	<b>25,567</b>

The above analysis includes receipts in advance of £3.944m mainly consisting of local taxation of £0.873m and theatre shows income of £1.390m.

## 20. Provisions

	Insurance Provisions £'000	Early Voluntary Retirement Provision £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2018</b>	<b>692</b>	<b>235</b>	<b>236</b>	<b>1,163</b>
Additional Provisions made in 2018/19	540	352	-	892
Amounts used in 2018/19	(200)	(204)	(61)	(465)
Unused amounts reversed in 2018/19	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>1,032</b>	<b>383</b>	<b>175</b>	<b>1,590</b>
<b>Non-Current</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>Current</b>	<b>1,014</b>	<b>383</b>	<b>175</b>	<b>1,572</b>

	Insurance Provisions £'000	Early Voluntary Retirement Provision £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2019</b>	<b>1,032</b>	<b>383</b>	<b>175</b>	<b>1,590</b>
Additional Provisions made in 2019/20	187	71	-	258
Amounts used in 2019/20	(295)	(73)	-	(368)
Unused amounts reversed in 2019/20	(172)	(269)	(118)	(559)
<b>Balance at 31 March 2020</b>	<b>752</b>	<b>112</b>	<b>57</b>	<b>921</b>
<b>Non-Current</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current</b>	<b>752</b>	<b>112</b>	<b>57</b>	<b>921</b>

## **Insurance Provisions – Municipal Mutual Insurance (MMI)**

MMI ceased writing insurance business on 30/09/1992. In order to achieve a solvent run off, a scheme of arrangement was entered into by the creditors under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The scheme was triggered on 13/11/2012 and a levy equating to 15% of the value of claims against the former Aberconwy and Colwyn Borough Councils and Clwyd and Gwynedd County Councils, amounting in total to £363k, was paid.

At the end of 2015/2016 MMI (in the scheme of arrangement) announced a second levy, this time equating to 10% of payments made and a further sum amounting to £262k was paid out early in 2016/2017. This has brought the total levy to 25% and the total paid to £625k.

New claims received since the scheme was triggered are not included within the amount subject to the levy, but are instead dealt with by the relevant successor authority. At the current time 75% of the cost of these claims is being reimbursed by MMI (in the scheme of arrangement). Based on claims outstanding as at 31/03/2020, a sum of £58k is held in a provision to meet these liabilities.

## **Insurance Provisions – Chartis and Zurich Municipal (ZM)**

The majority of claims for material damage or personal injury are individually insignificant. Provision however, based on the value that the insurer has placed on individual claims, is made where it is deemed probable that liability will attach.

It is anticipated that of all claims outstanding at 31/03/2020, the Authority will bear approximately £650k by way of policy excesses.

## **Early Voluntary Retirement Provision**

The Compensation and Earliness costs due to be paid to the Pension Fund in respect of staff retiring early. The balance at 31/3/2020 is £92k (£383k 31/3/2019) which it is estimated will be settled in 2020/21 and £52k of which is included as a contribution to provision in the 2019/20 accounts.

## **Ysgol Dyffryn Conwy, Llanrwst**

A provision of £500k for a contribution to remedial works required to the Vic Hallam buildings on site was made in 2013/14, with a subsequent further contribution of £91k, of which £2k remains at 31/3/2020.

## **Other Provisions**

All other Provisions are not material and total £55k.

## 21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 11.

## 22. Unusable Reserves

	31 March 2020 £'000	31 March 2019 £'000
Revaluation Reserve	127,394	67,474
Available for Sale Financial Assets Reserve	1,817	1,790
Capital Adjustment Account	157,837	147,403
Financial Instruments Adjustment account	(621)	(661)
Pensions Reserve	(176,674)	(215,241)
Deferred Capital Receipts Reserve	1,713	1,819
Accumulated Absences Account	(3,149)	(2,704)
<b>Total Unusable Reserves</b>	<b>108,317</b>	<b>(120)</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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 Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £'000	Revaluation Reserve	2019/20 £'000
<b>67,915</b>	<b>Balance at 1 April</b>	<b>67,474</b>
1,967	Upward revaluation of assets	64,844
(775)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,009)
1,192	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	61,835
(1,554)	Difference between fair value depreciation and historical cost depreciation	(1,518)
(78)	Accumulated gains on assets sold or scrapped	(397)
(1,632)	Amount written off to the Capital Adjustment Account	(1,914)
<b>67,474</b>	<b>Balance at 31 March</b>	<b>127,394</b>

### Available for Sale Financial Assets Reserve

The Available for Sale Financial Assets Reserve contains the gains made by the Authority arising from increases in the value of its investments that do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

<b>2018/19 £'000</b>	<b>Available for Sale Financial Assets Reserve</b>	<b>2019/20 £'000</b>
<b>1,803</b>	<b>Balance at 1 April</b>	<b>1,790</b>
0	Downward revaluation of investments	
16	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	27
(29)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	
<b>1,790</b>	<b>Balance at 31 March</b>	<b>1,817</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences 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 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 Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19	Capital Adjustment Account	2019/20
£'000		£'000
152,065	<b>Balance at 1 April</b>	147,402
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(16,780)	▪ Charges for depreciation & impairment of non-current assets	(16,955)
(7,158)	▪ Revaluation gain / (losses) on Property, Plant & Equipment	4,686
-	▪ Revaluation losses on Assets Held for Sale	
(274)	▪ Amortisation of Intangible Assets	(260)
(228)	▪ Revenue expenditure funded from capital under statute	(868)
(904)	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement	(716)
31	▪ Administration costs of asset disposal in advance of sale	(37)
-	▪ Difference between asset value and lease liability on new finance leases	
(25,313)		(14,150)
1,633	▪ Adjusting amounts written out of the Revaluation Reserve	1,915
(23,680)	Net written out amount of the cost of non-current assets consumed in the year	(12,235)
	<b>Capital financing applied in the year:</b>	
1,377	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	986
-	▪ Use of the Capital Receipts Reserve to repay debt	
11,718	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,919
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	
5,206	▪ Statutory provision for the financing of capital investment charged against the Council Fund	5,861
423	▪ Capital expenditure charged against the Council Fund	(232)
(4,956)		10,299
293	▪ Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	136
147,402	<b>Balance at 31 March</b>	157,837

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid and discounts earned on the early redemption of unmodified loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred/earned, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense/income is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2018/19 £'000	Financial Instruments Adjustment Account	2019/20 £'000
(711)	<b>Balance at 1 April</b>	(661)
29	Proportion of premiums/discounts incurred/earned in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	29
21	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11
(661)	<b>Balance at 31 March</b>	(621)

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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 Authority 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.

<b>2018/19 £'000</b>	<b>Pensions Reserve</b>	<b>2019/20 £'000</b>
<b>(167,487)</b>	<b>Balance at 1 April</b>	<b>(215,241)</b>
(32,322)	Actuarial gains or (losses) on pensions assets & liabilities	61,225
(30,626)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(38,351)
15,194	Employer's pension contributions payable in the year	15,693
<b>(215,241)</b>	<b>Balance at 31 March</b>	<b>(176,674)</b>

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2018/19 £'000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>2019/20 £'000</b>
<b>1,920</b>	<b>Balance at 1 April</b>	<b>1,819</b>
(60)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(62)
(41)	Transfer to the Capital Receipts Reserve upon receipt of cash	(44)
<b>1,819</b>	<b>Balance at 31 March</b>	<b>1,713</b>



## Accumulated Absences Account

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

<b>2018/19 £'000</b>	<b>Accumulated Absences Account</b>	<b>2019/20 £'000</b>
<b>(2,392)</b>	<b>Balance at 1 April</b>	<b>(2,704)</b>
2,392	Settlement or cancellation of accrual made at the end of the preceding year	2,704
(2,704)	Amounts accrued at the end of the current year	(3,149)
(312)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(445)
<b>(2,704)</b>	<b>Balance at 31 March</b>	<b>(3,149)</b>

**23. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(15,924)	Depreciation of Non Current Assets	(16,859)
(274)	Amortisation of Intangible Fixed Assets	(260)
(15,432)	Pension Fund adjustments	(22,658)
(7)	Increase/decrease in impairment for provision for bad debts	4
(428)	Contributions to Provisions	669
(903)	Carrying amount of Property Plant & Equipment, investment property and intangible assets sold	(716)
(7,663)	Impairment and revaluations	4,726
(372)	Other non-cash movement	(3,030)
130	Increase/(Decrease) in Inventories	83
248	Increase/(Decrease) in Debtors	2,118
(3,405)	(Increase)/Decrease in Creditors	412
<b>(44,030)</b>	<b>Net non cash movements</b>	<b>(35,511)</b>

The cash flows for Operating Activities include the following items:

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(186)	Interest received	(203)
8,079	Interest paid	9,219

**24. Cash Flow Statement – Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
1,498	Proceeds from sale of non-current assets	552
13,931	Capital grants and contributions credited to income and expenditure	15,380
(228)	Revenue Expenditure Funded from Capital Under Statute	(868)
-	Finance lease liability	-
<b>15,201</b>	<b>Net cash flow from investing activities</b>	<b>15,064</b>

**25. Cash Flow Statement – Investing Activities**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
23,356	Purchase of property, plant and equipment, investment property and intangible assets	33,278
265,472	Purchase of short –term and long-term investments	283,980
(1,498)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(552)
(263,472)	Proceeds from short-term and long-term investments	(284,969)
(13,548)	Other receipts from investing activities	(14,101)
<b>10,310</b>	<b>Net cash flow from investing activities</b>	<b>17,636</b>

**26. Cash Flow Statement – Financing Activities**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
(128,359)	Cash receipts of short-term and long-term borrowing	(135,800)
-	Other receipts from financing activities	-
1,625	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,854
125,093	Repayments of short- term and long- term borrowing	115,762
1,441	Other payments for financing activities	1,987
<b>(200)</b>	<b>Net cash flow from financing activities</b>	<b>(16,197)</b>

## 27. Agency Services

The Council has entered into agreements under which it carries out tasks on behalf of other organisations for which it is fully reimbursed. One agreement relates to Trunk Road Maintenance and Improvement Works on behalf of the Welsh Government.

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme (Tranche 1), for the repair of properties which have been long term vacant, with the aim of bringing them back into use. The Council received nothing in 2019/20 (nothing in 2018/19) from Welsh Government, and paid nothing to Welsh Government in 2019/20 in respect of repaid loans (nothing in 2018/19).

During 2014/15 the Welsh Government (WG) introduced two new loan schemes for regeneration – Home Improvement Loans and Houses into Homes (Tranche 2). Unlike the Tranche 1 scheme above the funding is repayable to WG in 13 to 15 years. The Council received £444k for Home Improvement Loans and £444k for Houses into Homes (Tranche 2), a total of £888k, during the financial years 2014/15 and 2015/16. £50k of the Home Improvement Loans were issued in 2019/20 (£91k in 2018/19). £145k of the Houses into Homes (Tranche 2) Loans were issued in 2019/20 (£206k in 2018/19).

Expenditure on these activities was as follows:

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Trunk Roads	5,331	4,616
Home Improvement Loans	50	91
Houses into Homes (Tranche 1)	-	-
Houses into Homes (Tranche 2)	145	206
<b>Total</b>	<b>5,526</b>	<b>4,913</b>

## 28. Pooled Budgets

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1<sup>st</sup> April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22). The transactions 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 31<sup>st</sup> 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 20/21:

	<b>2019/20 £'000</b>
	Care Homes for Older People
<b>Expenditure</b>	
Care Home costs	93,903
<b>Total Expenditure</b>	<b>93,903</b>
<b>Funding</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>(93,903)</b>
<b>(Surplus) / Deficit transferred to Reserve</b>	<b>0</b>

## 29. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Basic Salary	817	801
Senior Salary	257	235
Expenses	17	23
<b>Total</b>	<b>1,091</b>	<b>1,059</b>

### 30. Officers' Remuneration

The remuneration paid to the Authority's senior employees who have an influence on the overall running of the Authority is as follows:

	Post Title	Salary	Total Remuneration excl Pension Contributions	Employers Pension Contributions	Total Remuneration
		£	£	£	£
2018/19	Chief Executive	119,070	119,070	23,197	142,267
2019/20	Chief Executive	121,451	121,451	23,197	144,648
2018/19	Strategic Director (Economy & Place)	86,960	86,960	23,197	110,157
2019/20	Strategic Director (Economy & Place)	95,068	95,068	16,761	111,829
2018/19	Strategic Director of Social Care and Education	91,108	91,108	23,197	114,305
2019/20	Strategic Director of Social Care and Education	95,068	95,068	18,158	113,226
2018/19	Strategic Director (Finance & Efficiencies)	76,630	76,630	23,197	99,827
2019/20	Strategic Director (Finance & Efficiencies)	78,336	78,336	14,962	93,298
2018/19	Head of Law and Governance	68,514	68,514	23,197	91,711
2019/20	Head of Law and Governance	59,371	59,371	10,797	70,168
2018/19	Head of Regulatory and Housing Services	66,740	66,740	23,197	89,937
2019/20	Head of Regulatory and Housing Services	69,079	69,079	12,969	82,048
2018/19	Statutory Head of Education Services	52,866	52,866	23,197	76,063
2019/20	Statutory Head of Education Services	62,148	62,148	14,929	77,077

The Council did not have any employees with a salary in excess of £150k.

Remuneration includes all sums paid to or receivable by an employee (including normal emoluments), expense allowances and the money value of benefits, but excludes payments in relation to Returning Officer and Deputy Returning Officer roles at elections. Total remuneration includes employer pension contributions payable to the Local Government Pension Scheme, but not directly paid to the employee.

The figures for the Strategic Director (Finance and Efficiencies) and the Head of Law and Governance reflect flexible retirement arrangements.

The Statutory Head of Education Services returned from maternity leave in July 2019 and an Interim Head of Education Services was engaged from November 2018 to August 2020, where remuneration for 2019/20 was £32,590.

The table below is based on taxable pay, but the table above is net of additional annual leave purchase, car loans, and salary sacrifice schemes.

The Authority's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Band	2019/20 Number		2018/19 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	2	12	4	5
£65,000 - £69,999	2	4	2	3
£70,000 - £74,999	1	3	1	4
£75,000 - £79,999	3	3	3	3
£80,000 - £84,999	0	0	1	2
£85,000 - £89,999	1	3	0	0
£90,000 - £94,999	0	0	0	1
£95,000 - £99,999	0	3	0	2
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	1
£110,000 - £114,999	0	0	0	0

The schools figures above include voluntary aided and foundation schools' staff.

The following table gives the ratio between the Chief Executive's scale point and the median scale point of Council staff:

	2019/20	2018/19
	Scale Point	Scale Point
Chief Executive	£121,451	£119,070
Median	£20,344	£19,670
Ratio	5.97	6.05

### Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
							£	£
£0 - £19,999	18	12	38	40	56	52	452,730	413,029
£20,000 - £39,999	4	5	11	10	15	15	396,141	391,540
£40,000 - £59,999	4	2	4	4	8	6	389,804	300,204
£60,000 - £79,999	-	1	1	2	1	3	60,072	195,383
£80,000 - £99,999	1	-	1	-	2	-	183,622	-
£100,000 - £149,999	-	-	1	-	1	-	100,070	-
<b>Total</b>	<b>27</b>	<b>20</b>	<b>56</b>	<b>56</b>	<b>83</b>	<b>76</b>	<b>1,582,439</b>	<b>1,300,156</b>

An amount of £1,375 in the table above has not been accrued in the accounts.

### 31. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

#### Disclosure of Fees Payable to Audit Wales

	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to Audit Wales with regard to external audit services carried out for the year.	195	205
Fees payable to Audit Wales in respect of Local Government Measures	99	99
Fees payable for the certification of grant claims and returns for the year.	40	54
Other fees payable in respect of other services provided by Audit Wales during the year.	0	18
	<b>334</b>	<b>376</b>



## 32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20	2018/19
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	115,695	115,455
<i>Sub Total</i>	<i>115,695</i>	<i>115,455</i>
<b>Capital Grants:</b>		
General Capital Grant	2,746	3,300
Specific Capital Grant (Non REFCUS)	-	2,266
21st Century Schools Grant	3,268	1,440
Flood Alleviation Schemes	509	708
Environmental and Sustainable Development Grant	624	-
Strategic & Targetted Regeneration Area	12	77
Colwyn Bay Waterfront Coastal Defence	-	557
Coastal Defence Grants	18	133
Local Transport Grant	5,548	1,751
Venue Cymru	-	1,193
Culture Centre	-	1,416
European Grant	1,332	-
Intermediate Care Fund	990	-
Other Welsh Government Grants	307	559
Other Various Grants	24	531
<i>Sub Total</i>	<i>15,378</i>	<i>13,931</i>
<b>Grand Total</b>	<b>131,073</b>	<b>129,386</b>
<b>Credited to Services:</b>		
Integrated Care Fund	2,735	1,410
Education Improvement Grant	3,537	3,509
Concessionary Fares	2,612	2,651
Flexible Funding/Families First	1,078	1,011
Flying Start Revenue Grant	1,901	2,012
Youth Justice Service	323	296
Post-16 Provision in Schools	4,661	4,426
Supporting People	6,453	6,742
Sustainable Waste Management Grant	840	847
NWRWTP Grant Parc Adfer	316	-
Substance Misuse Action Fund	195	392
Various capital grants applied (REFCUS)	2,228	1,918
European Social Fund	1,123	2,457
DWP - Housing Benefits Grant	30,349	33,934
Pupil Deprivation Grant	2,817	2,804
Transport Services Grant / Bus Services Support Grant	505	492
Safer Communities	-	-
Social Care Workforce Development Programme	297	283
Youth Homelessness	240	-
Transformation	235	-
Secondary School Sports	196	176
Foundation Schools	315	32
Revenue Funding towards School Maintenance	-	-
WG Rural Grants	470	216
Winter Pressures	-	-
Funded Nursing Care	91	128
Social Care Workforce Grant	1,158	544
Discretionary Housing Payments	201	220
COVID 19	70	-
Sports Wales - LAPA	107	117
Big Lottery projects	103	12
National Exercise Referral Scheme	154	149
TRAC (European Social Fund)	515	494
Teachers Professional Training Grant	-	330
Teachers Pension Grant	1,337	-
FF (Promoting Positive Engagement)	318	318
Local Authority Education Grant	1,551	818
Council Tax Admin Grant	296	291
Legacy & Communities For Work Plus	327	301
Youth Revenue Grant	208	125
Homelessness Prevention Grant	105	107
Other Grants	1,966	2,221
<b>Grand Total</b>	<b>71,933</b>	<b>71,783</b>

The Authority has received a number of contributions that have yet to be recognised as capital income as they have conditions attached to them that will require the monies to be returned to the grantor if conditions are not met. The balances at the year-end in respect of capital are as follows:

	31 March 2020	31 March 2019
	£'000	£'000
<b>Capital Grants Receipts in Advance</b>		
Section 106 Agreements	2,407	2,325
<b>Total</b>	<b>2,407</b>	<b>2,325</b>

### 33. Related Parties

In accordance with IAS 24, the Council has a duty to disclose any material transactions with a 'related party'. This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

#### Central Government

Detailed information on Revenue Grants, Capital Grants, Revenue Support Grant and NNDR pool transactions during the year is disclosed elsewhere in the statement.

#### Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Income and Expenditure Account. The Council appoints Members to certain bodies which levy on the Council's budget. Details of these levies are given in Note 7, and in the following table:

	2019/20 £'000	2018/19 £'000
North Wales Fire and Rescue Authority	5,876	5,590
North Wales Police and Crime Commissioner	13,968	12,913
Snowdonia National Park Authority	286	271

#### Charitable and Voluntary Organisations

The Council appoints Members, Strategic Directors, Heads of Service, and other Officers to certain charitable and voluntary bodies. Other Officers are not included in the disclosure of transactions with related parties as it is not considered that these Officers are in a position to exert the same level of influence within the Council as Members, Strategic Directors and Heads of Service. During 2019/20 a total of £396,841 (including year end creditors of £74,562) (2018/19: £469,134 including year end creditors of £24,978) was paid to these bodies by way of grants and the purchasing of services. In 2019/20 the Council received income of £21,779 (including year end debtors of £913) (£88,232 in 2018/19 including year end debtors of £14,054) from these bodies.

#### Welsh Local Government Association (WLGA) and Local Government Association (LGA)

The Council is a member of the WLGA and LGA, to which subscriptions of £97,598 were paid in 2019/20 (no year end creditor) (£97,598 in 2018/19, no year end creditor), and from which the Council received income of £176,122 (including year end debtors of £51,006) (£229,567 in 2018/19, no year end debtor).

#### Chief Executive, Strategic Directors and Heads of Service

The Chief Executive, Heads of Service and Strategic Directors were sent a declaration of interest with related parties return for the year 2019/20.

Nothing was paid by the Council in 2019/20 under such arrangements (nothing in 2018/19), and no income was received by the Council (nothing in 2018/19).

## **Members**

Members were sent a declaration of interest with related parties return for the year 2019/20 and mainly declared interests in companies or businesses which may have dealings with the Council.

A total of £410,871 (including a year end creditor of £2,155) was paid by the Council in 2019/20 under such dealings (2018/19: £256,921 including year end creditors of £4,200), and a total of £38,300 (including year end debtors of £1,792) was received by the Council (£2,407 in 2018/19 (no year end debtor)). The total paid includes amounts paid to a Care Home where a Member is a director, and amounts paid to a Museum where a Member is a trustee.

Two Conwy Members represented the Council on the North Wales Residual Waste Treatment Project and one Conwy Member represented the Council on the GwE Joint Committee. Due to the nature of the parties, transactions are incurred in the normal course of activity. The Council has nominated a Member to sit on the board of governors for Derwen College.

## **Other**

Conwy acts as an agent on behalf of the North Wales Fire & Rescue Authority in treasury management dealings, as part of the financial management service provided under a service level agreement.

Apart from normal transactions such as the payments of Council Tax, non-domestic rates and housing rents, there are no other material transactions with related parties.

### 34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

	2019/20	2018/19
	£'000	£'000
Opening Capital Financing Requirement	216,514	178,467
<b>Capital Investment</b>		
Property, Plant & Equipment	30,342	22,006
Assets Held for Sale	36	-
Intangible Assets	12	105
Revenue Expenditure funded from Capital under Statute	3,096	2,146
New Finance Lease 18/19 - Coed Pella	-	34,467
<b>Sources of Finance</b>		
Capital Receipts	(948)	(1,408)
Government Grants & Other Contributions	(18,147)	(13,169)
Sums set aside from revenue:		
Direct Revenue Contributions	232	(424)
MRP	(5,861)	(5,206)
Pre 2018/19 Financing	-	(467)
Principal Repaid 1980 Act	-	(3)
<b>Closing Capital Financing Requirement</b>	<b>225,276</b>	<b>216,514</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow	9,620	4,680
Finance Leases (including Coed Pella and PFI)	(26)	34,435
PFI/Coed Pella contracts	(869)	(567)
Costs of disposal movement in CAA	37	(31)
Pre 2018/19 Financing	-	(467)
Principal Repaid 1980 Act	-	(3)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>8,762</b>	<b>38,047</b>

### 35. Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute represents expenditure that has been properly capitalised, but does not result in tangible fixed assets. The revenue expenditure funded from capital under statute is written down in the year it is incurred. This write off is charged to revenue with a compensating credit to revenue from the Capital Adjustment Account. The movement for the year is as follows: -

	Renovation Grants and Renewal Areas		Other		Total	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	2,254	1,406	842	740	3,096	2,146
Grants	(1,918)	(1,331)	(311)	(587)	(2,229)	(1,918)
Written Off to Revenue	(336)	(75)	(531)	(153)	(867)	(228)
<b>Balance at 31 March</b>	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute includes Commercial Property Investment Scheme (Targeted Regeneration Investment), Child Care Provision – small grant provision, Projects Match Funding – Llandudno Museum Redevelopment Project, Vibrant and Viable Places – Space For Living – Abergele Road and Lawson Road, Intermediate Care Fund – Maelgwn/Canolfan Marl.

### 36. Leases

#### Authority as Lessee

##### Finance Leases

The Council has acquired a number of buildings, commercial vehicles, franking machines, and schools IT and other 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:

	31 March 2020 £'000	31 March 2019 £'000
Other Land & Buildings	34,801	35,044
Vehicles, Plant, Furniture & Equipment	3	14
<b>Total</b>	<b>34,804</b>	<b>35,058</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2020 £'000	31 March 2019 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	508	510
▪ Non-Current	33,456	33,965
Finance costs payable in future years	23,132	24,121
<b>Minimum Lease Payments</b>	<b>57,096</b>	<b>58,596</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
No later than one year	1,479	1,496	508	510
Later than one year and not later than 5 years	5,916	5,916	2,184	2,123
Later than 5 years	49,701	51,184	31,272	31,841
<b>Total</b>	<b>57,096</b>	<b>58,596</b>	<b>33,964</b>	<b>34,474</b>

### **Operating Leases**

The Authority leases land and buildings for various purposes including office accommodation, community use and for providing accommodation for homeless families.

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
No later than 1 year	948	939
Later than 1 year and not later than 5 years	1,211	1,342
Later than 5 years	9,664	10,366
<b>Total</b>	<b>11,823</b>	<b>12,647</b>

The future minimum payments expected to be received by the Authority in respect of properties occupied by homeless families are determined by eligibility for housing benefit.

The expenditure during the year in relation to all operating leases, including those occupied by homeless families was:

	<b>2019/2020 £'000</b>	<b>2018/2019 £'000</b>
Minimum lease payments	939	1,062
Payments receivable in respect of properties occupied by homeless families	(517)	(496)
<b>Total</b>	<b>422</b>	<b>566</b>



## Authority as Lessor

### Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 120 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2020 £'000	31 March 2019 £'000
Finance lease debtor (NPV of minimum lease payments)		
▪ Current	124	114
▪ Non-Current	1,589	1,705
Unearned finance income	610	697
Unguaranteed residual value of property	(273)	(273)
<b>Gross Investment in the lease</b>	<b>2,050</b>	<b>2,243</b>

The gross investment in the lease includes a finance lease debtor for Canolfan Crwst, a multi agency arrangement involving a housing association, Betsi Cadwaladr University Health Board and the Authority.

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
No later than one year	194	200	194	200
Later than one year and not later than 5 years	738	748	738	748
Later than 5 years	1,118	1,295	1,118	1,295
<b>Total</b>	<b>2,050</b>	<b>2,243</b>	<b>2,050</b>	<b>2,243</b>

## **Operating Leases**

The Authority leases out property for various purposes including:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
No later than 1 year	895	723
Later than 1 year and not later than 5 years	1,542	1,332
Later than 5 years	10,315	11,123
<b>Total</b>	<b>12,752</b>	<b>13,178</b>

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2019/20 contingent rents received amounted to £252,526. In 2018/19 this figure was £262,956.

## **37. Private Finance Initiatives and Similar Contracts**

### **Three Schools PFI Project**

The project comprised a new school building on a new site for Ysgol John Bright, Llandudno; the refurbishment and extension of Ysgol Aberconwy, Conwy; and new build accommodation and refurbishment at Ysgol Dyffryn Conwy, Llanrwst together with its rationalisation on to one site.

The project provides the Council with 3 fully serviced schools including facilities management services, cleaning, caretaking, grounds maintenance, NNDR, utilities.

Contracts were signed on 12 March 2003, and construction started at the end of March 2003. The Unitary Charges (the monthly payment made by the Council to the private sector for the 3 fully serviced schools) were payable from 1 August 2004 for a contract period of 25 years. The Unitary Charge in the financial year 2019/20 was £7.1m (availability and performance deductions of £3k) for the period April 2019 to March 2020 inclusive. (Unitary Charge in the financial year 2018/19 was £7.0m with availability and performance deductions of £1k). The full year charge in 2020/21 is estimated to be approximately £7.1m at a price base of 1 April 2020.

The outstanding undischarged obligation arising from the PFI transaction is approximately £70.7m (£78.4m in 2018/19), which represents the total of the estimated Unitary Charges payable for the remainder of the 25 year contract period.

In August 2004, the Council paid an advance payment of Unitary Charge of £9m.

At the start of the PFI Contract, Ysgol Aberconwy and Ysgol Dyffryn Conwy's existing assets included in the balance sheet at £7.6m, were transferred to the private sector's ownership at nil consideration.

**Value of Assets Held under PFI and Similar Contracts**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Value at 1 April	44,452	45,703
Additions	819	778
Revaluations	20,700	(778)
Reclassifications	489	-
Depreciation	(1,251)	(1,251)
Value at 31 March	65,209	44,452

**Value of Liabilities resulting from PFI and Similar Contracts**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Balance outstanding at 1 April	(19,469)	(20,764)
Payments during the year	1,344	1,297
Balance outstanding at 31 March	(18,125)	(19,469)

**Details of Payments due to be made under PFI and Similar Contracts**

	<b>Service Charges £'000</b>	<b>Repayments of Liability £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
Within one year	3,810	1,800	1,539	7,149
Within two to five years	17,592	7,544	4,450	29,586
Within six to ten years	23,508	8,390	2,035	33,933

**Coed Pella**

Office Accommodation was constructed in Colwyn Bay in 2018 to provide much needed modern office provision for our staff. The cost of construction is being borne by the developer and the Council has entered into a lease type arrangement with the developer. The Council will rent the offices for a period of 40 years from the developer. The annual rental has been set at £1.451m (payable quarterly in advance) and will be uplifted each year by reference to the Retail Price Index published by the Office for National Statistics. The initial rent became payable on 30<sup>th</sup> October 2018 when the offices became operational and were handed over for use by the Council. The lease has been determined to be a finance lease and the offices were valued and included in the Council's Balance Sheet at £34.467m at 30<sup>th</sup> October 2018, together with a finance lease liability of £34.467m.

During the lease period the developer will not be responsible for the maintenance and upkeep of the building. The Council does not have an option to terminate the lease and at the end of the lease term the title will pass to the Council and no

further lease payments will be made to the developer. The Council estimates that the offices will have an operational life of 60 years.

### **38. Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2019/20, the Council paid an employer contribution of £8.223m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay to 31 August 2019 and 23.68% of pensionable pay from 1 September 2019. The figures for 2018/19 were £6.536m and 16.48%. There were no contributions remaining payable at the year end (31 March 2019 – Nil).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

### **39. Defined Benefit Pension Schemes**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme. The Authority participates in a scheme administered locally by Gwynedd Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Also, the Authority participates in a scheme administered locally by Flintshire County Council, which is an unfunded scheme.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The employer's contribution rate for the Gwynedd scheme in 2019/20 was 19.1% plus a pensions fixed sum of £1.306m, less a discount for payment in advance (2018/19 19.1% plus a pensions fixed sum of £1.306m less a discount for payment in advance). The rate will be 19.8% in 2020/21. The total amount paid to the Gwynedd scheme in 2019/20 was £14.711m in respect of standard pension contributions (£14.178m in 2018/19).

## Transactions Relating to Post-Employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The transactions in the following table have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year.

### IAS 19 Disclosure Requirements for 2019/20

There have been a number of changes relating to international accounting standard IAS 19 Employee Benefits, resulting in a change in the accounting treatment and accounting policy. The change has introduced new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and, where there is a material impact, new definitions or recognition criteria for service costs (e.g. past service costs) and new recognition criteria for termination benefits.

The required restatements are reflected in the notes which follow.

Transactions relating to Retirement benefits recognised in Accounts:

	Funded		Unfunded	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Net Cost of services:</b>				
▪ Current service cost	30,960	25,866	-	-
▪ Past service cost	2,053	193	37	4
▪ Settlements			-	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
▪ Net Interest	4,835	4,042	466	521
<b>Total Defined Benefit Charged to Provision of Services</b>	<b>37,848</b>	<b>30,101</b>	<b>503</b>	<b>525</b>
<b>Other Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
▪ Return on assets (excluding interest)	64,620	(28,451)		
▪ Remeasurements on liabilities	(123,840)	60,140	(2,005)	633
<b>Total Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(21,372)</b>	<b>61,790</b>	<b>(1,502)</b>	<b>1,158</b>
<b>Movement in Reserves Statement</b>				
▪ Reversal of charges in accordance with the Code	37,848	30,101	503	525
<b>Actual amounts charged to the General Fund in year:</b>				
▪ Employer contributions	15,693	15,194		
▪ Less prepayment adjustment			-	-
	15,693	15,194		
▪ Discretionary payments			1,360	1,367

A prepayment for 3 years of the lump sum due from the employer for the Local Government Pension Scheme was made in 2017/18. The payment for 2019/20 amounted to £1.272m. The IAS19 figures have been amended to reflect the Council's accounting treatment.

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

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligation	(667,773)	(752,052)	(16,571)	(19,433)
Fair value of assets	507,670	556,244	-	-
Less prepayment adjustment	-	-	-	-
Sub total	(160,103)	(195,808)	(16,571)	(19,433)
Other movements in liability/assets	-	-	-	-
<b>Net liability</b>	<b>(160,103)</b>	<b>(195,808)</b>	<b>(16,571)</b>	<b>(19,433)</b>

### **Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

<b>Liabilities</b>	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits</b>	
	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Opening balance	752,052	658,878	19,433	19,642
Current service cost	30,960	25,866	-	-
Interest cost	18,308	17,965	466	521
Contributions by plan participants	4,283	4,068	-	-
Remeasurements	(123,840)	60,140	(2,005)	633
Benefits paid	(16,043)	(15,058)	(1,360)	(1,367)
Past service costs/(credit)	2,053	193	37	4
<b>Closing Balance</b>	<b>667,773</b>	<b>752,052</b>	<b>16,571</b>	<b>19,433</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date

<b>Assets</b>	<b>Local Government Pension Scheme</b>	
	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Opening balance at 1 April	556,244	511,033
Remeasurements	(64,620)	28,451
Asset Interest	13,473	13,923
Employer contributions	14,333	13,827
Contributions by scheme participants	4,283	4,068
Benefits paid	(16,043)	(15,058)
Unfunded Benefits Paid	(1,360)	(1,367)
Unfunded Benefits Contributions	1,360	1,367
<b>Closing balance</b>	<b>507,670</b>	<b>556,244</b>

### Local Government Pension Scheme Assets

<b>Asset Category</b>	<b>2019-20</b>				<b>2018-19</b>			
	<b>Quoted Prices in Active Markets £'000</b>	<b>Prices Not Quoted in Active Markets £'000</b>	<b>Total £'000</b>	<b>%</b>	<b>Quoted Prices in Active Markets £'000</b>	<b>Prices Not Quoted in Active Markets £'000</b>	<b>Total £'000</b>	<b>%</b>
<b>Equity Securities</b>								
Consumer	-	-	-	0.0	13,918	-	13,918	2.5
Manufacturing	-	-	-	0.0	16,743	-	16,743	3.0
Energy and Utilities	-	-	-	0.0	-	-	-	0.0
Financial Institutions	-	-	-	0.0	6,527	-	6,527	1.2
Health and Care	-	-	-	0.0	35,762	-	35,762	6.4
Information Technology	-	-	-	0.0	9,784	-	9,784	1.7
Other	-	-	-	0.0	18,991	-	18,991	3.4
<b>Debt Securities</b>								
Other	-	-	-	0.0	-	81,270	81,270	14.5
<b>Private Equity</b>								
All	29,696	29,696	29,696	5.8	-	30,361	30,361	5.4
<b>Real Estate</b>								
UK Property	50,248	50,248	50,248	9.9	17,785	33,354	51,139	9.1
Overseas Property	59	59	59	0.0	-	297	297	0.1
<b>Investment Funds &amp; Unit Trusts</b>								
Equities	341,895	341,895	341,895	67.1	108,820	160,290	269,110	48.1
Bonds	-	-	-	-	-	-	-	-
Infrastructure	11,721	11,721	11,721	2.3	-	11,012	11,012	2.0
Other	73,727	73,727	73,727	14.5	-	-	-	-
<b>Debt Securities</b>								
Other	-	-	-	-	-	-	-	0.0
<b>Cash &amp; Cash Equivalents</b>								
All	2,529	-	2,529	0.5	14,387	-	14,387	2.6
<b>Totals</b>	<b>2,529</b>	<b>507,346</b>	<b>509,875</b>	<b>100</b>	<b>242,717</b>	<b>316,584</b>	<b>559,301</b>	<b>100</b>

Details regarding the changes in the Local Government Pension Scheme rules, including the change from final salary benefits to career average re-valued benefits for service from 1<sup>st</sup> April 2014 onwards, can be found on the following link:

<https://www.lgpsregs.org/>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
<b>Mortality Assumptions:</b>				
<b>Longevity at 65 for current pensioners</b>				
▪ Men	21.3	22.0	21.3	22.0
▪ Women	23.4	24.2	23.4	24.2
<b>Longevity at 65 for future pensioners</b>				
▪ Men	22.2	24.0	22.2	24.0
▪ Women	25.1	26.4	25.1	26.4
Rate of Inflation	2.8%	2.5%	2.8%	2.5%
Rate of Increase in salaries	2.2%	2.5%	2.2%	2.5%
Rate of Increase in pensions	1.9%	2.5%	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%	2.3%	2.4%
Take-up of option to convert annual pension into retirement lump sum				
- pre April 2008 service	50%	50%	-	-
- post April 2008 service	75%	75%	-	-

## Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities for the Conwy element are set out below:

Change in assumptions at 31 March 2020:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	66,682
0.5% increase in the Salary Increase Rate	1%	7,888
0.5% increase in the Pension Increase Rate (CPI)	9%	58,147

The principal demographic assumption is the longevity assumption (i.e. a member life expectancy). For sensitivity purposes, it is estimated that a one year increase in life



expectancy would approximately increase the Employer Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at the accounting date on varying bases have been calculated and compared. The approach taken is consistent with that adopted to derive the accounting figures provided in the actuarial report.

## **Risks**

The principal risks of the scheme to the Authority 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 equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the Council Fund the amounts required by statute.

## **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The contributions paid by the employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2019), or at any other time as instructed to do so by the Administering Authority.

It is estimated that the Employer's contribution for the period to 31 March 2021 will be approximately £13.054m for the Conwy element.

## **Potential impact of Covid-19 on Pooled Property Investment Valuations**

The Gwynedd Pension Fund portfolio of investments holds a number of Pooled Property Investments. The underlying properties, upon which the value of the investments are based are, in the most part, valued by independent, regulated firms of surveyors and valuers. The Royal Institute of Chartered Surveyors (RICS) announced that the Covid 19 pandemic has had an effect on the practices and procedures of valuation professionals. RICS have stated that inspecting property may be difficult due to firms' own internal procedures, government restrictions or the occupants' unwillingness to grant access, and that a lack of commercial activity has limited the amount of market data able to be used as comparators.

In light of this, RICS has advised its regulated members to consider whether it is necessary to declare 'material valuation uncertainty' over the property/properties being valued. As a consequence, a number of Investment Managers are making such declarations regarding the value of their Pooled Property Funds. Certain managers, including some with which Gwynedd Pension Fund hold investments, consider the uncertainty in value of the funds significant enough to have suspended subscription and redemption within their Pooled Property vehicles.

As at 31 March 2020 the value of Gwynedd Pension Fund's Pooled Property Investments reported by their Investment Managers was £191m. The Council's share of this investment is approximately £50.5m. Based on this it has been estimated that a fall in value of approximately 7.8% could lead to a potential material difference in the assets allocated to the Council and therefore an increase in the net liability attributable to the Council.

## **40. Contingent Liabilities**

### **Municipal Mutual Insurance (MMI)**

Actuarial opinion is that the levy could increase from the 25% paid to date. Whilst theoretically the exposure of a scheme creditor could ultimately equate to 100%, it is now considered more likely that the final levy will be in the region of 35%. Based on the current scheme liabilities, should a further 10% levy be demanded, then another £284k would be needed. This sum is identified within the insurance reserves. It does not however take account of new and emerging claims, nor for an ultimate levy in excess of 35%.

### **Insurance Claims**

There are occasions where an incident has, or may have, occurred and we have reason to believe that an insurance claim could be received at some point in the future. It is impossible however to quantify the potential value of these incidents unless, or until, a claim is submitted.

### **Mochdre Commerce Park**

Negotiations and ground investigations are currently on-going in respect of the lease of the Mochdre Commerce Park. Once concluded this may result in future expenditure or a contribution in a yet to be established sum, to address the issues that may be determined and concluded.

## **41. Contingent Assets**

There are no contingent assets.

## **42. Joint Arrangements & Joint Committees**

Conwy County Borough Council is currently involved in two joint arrangements with neighbouring North Wales Authorities.

- There is one formal Joint Committee, for which Flintshire County Council prepares a separate set of accounts. The North Wales Residual Waste Treatment Partnership (NWRWTP) (with Flintshire (lead Authority), Anglesey, Denbighshire & Gwynedd). Conwy's contribution due to the NWRWTP in 2019/20 was £507 (£24k in 2018/19).
- A second formal Joint Committee, for which Gwynedd Council prepares a separate set of accounts, is GwE, an improvement service for schools on a North Wales basis. Conwy's contribution to the GwE Joint Committee in 2019/20 was £553k (£562k in 2018/19).

The separate sets of accounts for the Joint Committees can be accessed by the following links:

<https://www.wtiparcadfer.co.uk/#>

<https://www.gwynedd.gov.uk>

#### **43. Nature and Extent of Risks Arising from Financial Instruments**

The Authority'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 Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council 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.

##### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below:

The Strategic Director - Finance and Efficiencies maintains a counterparty list in compliance with the following criteria and revises the criteria and submits them to Council for approval as necessary. These criteria are separate to those which determine Specified and Non-Specified investments, as it selects which counterparties the Council will choose rather than defining what its investments are.

1. Debt Management Office of the Treasury – unlimited
2. Local Authorities (except rate capped) – limit £10m
3. All UK and Irish banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as: Long Term A-.

Limit - £5m

Banks whose ratings fall below those in 3 above will be used if wholesale deposits are covered by a government guarantee, and the deposits fall within the terms of the guarantee.

##### **4. Building Societies**

- Building societies with a rating (as for the banking sector) all have a lending limit of £3m.
- All building societies without a rating but with assets of £1bn or more will have a lending limit of £3m and a time limit of 9 months.
- All building societies without a rating but with assets of £500m or more will have a lending limit of £2m and a time limit of 6 months.

The Authority's maximum exposure to credit risk of £5m in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets (sundry debtors), based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2020</b>	<b>Historical Experience of Default</b>	<b>Historical experience adjusted for market conditions at 31 March 2020</b>	<b>Estimated Maximum Exposure to Default &amp; Uncollectability at 31 March 2020</b>	<b>Estimated Maximum Exposure at 31 March 2020</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Customers	10,793	2.28	2.28	246	246

The Authority does not allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
< 3 Months	3,670	8,526
3-6 Months	1,047	678
6-12 Months	651	1,139
> 12 Months	5,425	2,557
<b>Total</b>	<b>10,793</b>	<b>12,900</b>

All trade and other payables are due to be paid in less than one year.

The credit ratings of the year end investments are as follows:

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Banks (A+)	7,050	9,750
Local authorities (Unrated)	9,000	10,000
<b>Total</b>	<b>16,050</b>	<b>19,750</b>

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The Council manages its portfolio by

rescheduling debts when it is economic to do so. The maturity analysis of PWLB and market loans is as follows:

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
< 1 Year	81,860	61,349
1 – 2 Years	371	360
2 – 5 Years	4,158	3,816
5 – 10 Years	4,702	3,904
10 – 25 Years	3,281	4,793
> 25 Years	100,656	100,655
<b>Total</b>	<b>195,028</b>	<b>174,877</b>

The above analysis does not include Invest to Save loans.

## **Market Risk**

### **Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The Council has the option to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Council is not currently taking any long term borrowing and has repaid borrowing out of investments in order to reduce its exposure and to reduce interest costs. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2020, if interest rates had been

1% higher with all other variables held constant, the financial effect would be as shown in the following table:-

	£'000
Increase in Interest receivable on variable rate Investments	(196)
Impact on Surplus or Deficit on the Provision of Services	(196)
Decrease in Fair Value of fixed rate Investment assets	-
Impact on Other Comprehensive Income & Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	(35,196)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council does not invest in equity shares or marketable bonds and so there is no risk that its investments will lose value through falls in the stock market price.

### Foreign Exchange Risk

The Authority has minimal financial assets and no liabilities denominated in foreign currencies, and has little exposure to loss arising from movements in exchange rates.

## 44. Trust Funds

1. The Council currently administers 24 Education Trust Funds. The funds are not assets of the Council and are not, therefore, included within the Balance Sheet.

The Education Trust Funds operate for a variety of causes from school prize funds to maintaining children's play areas. Each one consists of a relatively small sum of money received largely from individuals and invested in order to provide an annual income.

The Fund balances at 31 March 2020 amounted to £115,123 and the income for the year was £3,529. (Fund Balances at 31 March 2019 amounted to £112,194 and income for the year 2018/19 was £4,121).

2. In addition, the Council is also responsible for the Welsh Church Act Fund. This scheme provides income which is to be applied to charitable, educational, recreational and social purposes at the discretion of the Council. The Fund is not an asset of the Council and is not, therefore, included within the Balance Sheet. A copy of the Fund's income and expenditure account and balance sheet appear on page 110.
3. A Trust Fund was set up for the benefit of scholars in Llanrwst for ancillary education. The details of the Ymddiriedolaeth Addysg Llanrwst income and expenditure account and balance sheet appear on page 114.
4. There are a small number of other Trust Funds which have been received. The Fund balances at 31<sup>st</sup> March 2020 amounted to £273,636 (Fund balances at 31<sup>st</sup> March 2019 amounted to £248,692).

#### 45. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands with estimated 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Conwy County Borough Council and the Police and Crime Commissioner for North Wales for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts.

The Council Tax Base for 2019/20 was calculated as follows: -

Band	Equivalent Number of Dwellings after Discount	Band D Adjustment	Band D Equivalent
A*	8	5/9	4.58
A	4,232	6/9	2,821.50
B	6,843	7/9	5,322.14
C	13,194	8/9	11,728.22
D	10,220	1	10,220.00
E	8,102	11/9	9,902.14
F	4,534	13/9	6,548.75
G	1,731	15/9	2,885.00
H	387	18/9	774.00
I	129	21/9	301.00
<b>Council Tax Base after allowing for losses on collection</b>			<b>50,507.33</b>

The amount raised by the Council Tax is as follows: -

	2019/20	2018/19
	£'000	£'000
Council Tax raised	81,876	74,538

#### 46. National Non-Domestic Rates (NNDR)

The National Non-Domestic Rate is set by the Welsh Government but collected locally through an agency arrangement before being paid into a central pool administered by the Welsh Government. The amount distributed to local authorities is then determined on a population basis.

For 2019/20 the rate set by the Welsh Government was 0.526p per £1 of rateable value of the non-domestic properties (2018/19: 0.514p). At 31 March 2020 there were 5,746 properties on the local valuation list in Conwy, representing a rateable value of £86,885,553 (2018/19: £86,845,868). The net income accruing to the Council from the NNDR is as follows:-

	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
National Non-Domestic Rate raised	33,436	32,987
Less Cost of Collection Allowance	(296)	(291)
Less sum paid to the National Pool	(33,140)	(32,696)
	-	-
Receipts from the National Pool	38,497	38,160
<b>Net Income from the National Non-Domestic Rates</b>	<b>38,497</b>	<b>38,160</b>



## **WELSH CHURCH ACT FUND (UNAUDITED)**

### **STATEMENT OF ACCOUNTS 2019/20**

#### **Explanatory Foreword**

The Council holds the Welsh Church Act Fund by virtue of section 50 of the Local Government (Wales) Act 1994 and the Welsh Church Act Funds (Designation and Specification Order 1996(b)).

The Council through its committee processes is responsible for distributing the income of the fund to such charitable purposes as are detailed in the scheme. Further information on the scheme is available on the Council website, <https://www.conwy.gov.uk/>

The Council is the corporate trustee of the Welsh Church Act Funds in the area of Conwy County Borough. It now holds all the funds disaggregated from the Clwyd and the Gwynedd funds at reorganisation in 1996. Last year the majority of the funds were held by Gwynedd who invested on behalf of the fund to maximise the income available for distribution.

The fund was disaggregated at the end of the 2018/19 financial year and £378,870 was transferred in May this year which represents the balance due to Conwy from the Gwynedd fund.

The balance on the fund has been invested by Conwy short term in line with Conwy's investment strategy to provide an income to the fund.

For the long term investment of the fund Arlingclose, Treasury advisors, were engaged to provide options for investing the fund that were low risk but provided a return in excess of what can be achieved using short term investments. A meeting of the Welsh Church Act fund group was held to discuss the various options and recommend the preferred investment. The CCLA property fund was the preferred option as it had shown consistent growth and a good return on capital over a long period. Before the investment could be made Members had to approve a Treasury Management Policy for the fund which would set out the various counterparties the fund would be authorised to invest with. However, due to the recent events and the COVID19 pandemic everything has been put on hold and the funds remain with Conwy where they are invested short term on behalf of the fund.

#### **Accounting Policies**

The Accounting policies followed are those outlined on pages 20 to 37, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

The main accounting principle applicable to these accounts is the accruals principle, which requires the inclusion of debtors and creditors in the accounts.

These Statements are not audited by Audit Wales.

### INCOME AND EXPENDITURE ACCOUNT

	Notes	2019/20	2018/19
		£	£
<b>Resources Arising</b>			
Investment Interest	1	2,111	3,293
		2,111	3,293
<b>Use of Resources</b>			
Allocations	2	(3,315)	(1,790)
Investment report	3	(1,500)	(1,790)
		(4,815)	(1,790)
<b>Resources Retained (Shortfall) for Future Use</b>		<b>(2,704)</b>	<b>1,503</b>
Resources Brought Forward		2,808	1,305
Resources Carried Forward		104	2,808
<b>Movement in Year</b>		<b>(2,704)</b>	<b>1,503</b>

### BALANCE SHEET AT 31 MARCH

	Notes	2020	2019
		£	£
<b>Current Assets</b>			
Debtors (Gwynedd Council)	2		378,871
Debtors (Other)	2		3,014
Cash (Conwy)	1	436,516	60,349
		-	-
Net Assets		436,516	442,234
<b>Fund Balance</b>		<b>436,516</b>	<b>442,234</b>

## **NOTES TO THE WELSH CHURCH ACT FUND ACCOUNTS**

### **Income and Expenditure Account**

#### **Note 1**

The main source of income is from short term investments administered by Conwy Council on behalf of the fund; this amounted to £2,111 (£279 in 2018/19). Previously the majority of the fund was held by Gwynedd who invested funds on behalf Conwy. Conwy was entitled to 17.810244% of the income from the fund which for 2018/19 amounted to £3,014. Compared to the previous year income has fallen from £3,293 in 2018/19 to £2,111 in 2019/20 this is due mainly to market conditions and the prevailing rates of interest.

#### **Note 2**

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2019/20 was estimated at £5,557 (£3,105 in 2018/19) and the actual amount distributed was £3,315 (£1,790 in 2018/19).

#### **Note 3**

Following the disaggregation of the fund Arlingclose, Treasury Advisors, were engaged to provide a report setting out the various investment options for the fund. The fee charged for the report was £1,500. The balance of the funds available for distribution in 2019/20 has been carried forward for distribution in 2020/21.

## **Balance Sheet**

### **Note 1**

The cash from the fund is invested with Conwy cash balances and the interest paid is based on the average interest earned in the year. The non-distributable amount held by Conwy at the end of the year is £436,412 (£57,542 2018/19) and the distributable amount £104 (£2,808 2018/19). In 2018/19 the main fund was held in year as cash deposits by Gwynedd on which interest accrued, Conwy's share of the Gwynedd fund was £378,871, 17.810244% of the total.

### **Note 2**

There are no debtors this year but in 2018/19 the debtor amount on the balance sheet was the amount held by Gwynedd Council at year end to be distributed to Conwy on the disaggregation of the scheme along with the amount due to Conwy from Gwynedd for the investment interest last year.

## **YMDDIRIEDOLAETH ADDYSG LLANRWST**

### **Statement of Accounts 2019/20**

#### **Explanatory Foreword**

In 2019/20 the Council was the Custodian Trustee for this fund.

#### **Accounting Policies**

The accounting policies followed are those outlined on pages 20 to 37, which are applicable to the items in the Accounts. The Accounts also follow the Charity Commission Statement of Recommended Practice.

The main accounting principle applicable to these accounts is the accruals principle which requires the inclusion of debtors and creditors in the accounts.

These statements are not audited by Audit Wales.

# **INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020**

	<b>2019/20 £</b>		<b>2018/19 £</b>	
<b>RESOURCES ARISING</b>				
Donations	-		-	
Investment Interest	4,683		4,107	
Less Expenditure	(13,000)		(10,000)	
		(8,317)		(5,893)
Resources Brought Forward	849,950		855,843	
Resources Carried Forward	841,633		849,950	
<b>Movement in Year</b>		<b>(8,317)</b>		<b>(5,893)</b>

## **BALANCE SHEET AT 31 MARCH**

	<b>2020 £</b>	<b>2019 £</b>
Current Assets		
Investments	841,633	849,950
Current Liabilities	-	-
<b>Fund Balance</b>	<b>841,633</b>	<b>849,950</b>

### **Note**

The Cash Fund is invested by Conwy County Borough Council and earns interest, the rate used is the average interest earned by the Council for the relevant months.

## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, typically a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

### **ACCOUNTING POLICIES**

The specific principles, bases, conventions, rules & practices applied by the Council in preparing & presenting its financial statements.

### **ACCRUALS**

Amounts included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have varied

### **AGENCY ARRANGEMENTS**

An arrangement between two organisations where one will act as an agent, collecting money on behalf of the other party, to whom the money is then paid over. An example of this is NNDR collections, where the Council is acting as the billing agent for central government, collecting money from tax payers on behalf of central government and then paying it over to them.

### **AMORTISATION**

The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal & interest.

### **ASSET**

An item having value to the authority in monetary terms. Assets are classed as either current or non current:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **non current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent inspection of the Authority's financial affairs.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and reserves at the end of the accounting period.

### **BUDGET**

The anticipated net revenue and capital expenditure over the accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the procurement of a non current asset, which will be used in providing services beyond the current accounting period or expenditure that adds to, and not merely maintains, the value of an existing non current asset.

### **CAPITAL FINANCING**

Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specified period of time.

### **CAPITAL RECEIPT**

The income from the disposal of land or other non current assets.

**CASH**

Comprises cash on hand & demand deposits

**CASH EQUIVALENTS**

Short-term, highly liquid investments that are readily convertible to known amounts of cash & which are subject to an insignificant risk of changes in value.

**CASH FLOWS**

Inflows & outflows of cash & cash equivalents.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UK**

The Code constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

**COMMUNITY ASSETS**

Assets that the Council plans to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

**COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

**CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**CONSTRUCTIVE OBLIGATION**

An obligation that derives from the Authority's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**CONSUMER PRICE INDEX (CPI)**

An Internationally comparable measure of inflation which employs methodologies and structures that follow International Legislation and Guidelines.

**CONTINGENT ASSET**

A contingent asset is a likely asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**CONTINGENT LIABILITY**

A contingent liability is either:

- a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core includes all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.



**CREDITOR**

Amount owed by the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

**DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATED REPLACEMENT COST (DRC)**

A method of valuation which gives a recognised approximation for the market value of specialised properties. It is an estimate of the market value for the existing use of the land, plus the current gross replacement costs for the building less an allowance for physical deterioration of the asset to its current equivalent physical state.

**DEPRECIATION**

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's non current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as The Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007.

**EFFECTIVE INTEREST RATE**

This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

**EMPLOYEE BENEFITS**

All forms of consideration given by the Council in exchange for service rendered by its employees.

**EQUITY**

The Authority's value of total assets less total liabilities.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS**

Material items which derive from affairs or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXISTING USE VALUE (EUV)**

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, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**

Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**

The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee.

**FINANCIAL INSTRUMENT**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

**FINANCIAL REPORTING ADVISORY BOARD (FRAB)**

The independent body that advises the Government on accounting issues.

**FINANCING ACTIVITIES**

Activities that result in changes in the size & composition of the principal received from or repaid to external providers of finance.

**GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. Grants may be specific to a particular scheme or may support the revenue or capital spend (respectively) of the Authority in general.

**HERITAGE ASSETS**

A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

**HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority. N.B. CCBC no longer has an HRA following the transfer of the housing stock to Cartrefi Conwy in 2008/09.

**IMPAIRMENT**

A reduction in the value of a non current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) or a general fall in prices.

**INCOME**

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

**INFRASTRUCTURE ASSETS**

Non current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

## **INTANGIBLE ASSETS**

An intangible asset is an identifiable non-monetary asset without physical substance. The intangible asset most frequently found in local authorities is computer software.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards are a suite of accounting standards used across the world. In the 2007 Budget, the then-chancellor announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made. As a result, CIPFA/LASAAC produces the IFRS-based Code of Practice on Local Authority Accounting, overseen by the Financial Reporting Advisory Board (FRAB).

## **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

These are accounting standards developed specifically for the public sector by the International Public Sector Accounting Standards Board (IPSASB).

## **INVENTORIES**

Items of raw materials and stores an authority has procured and holds in expectation of future use.

## **INVESTING ACTIVITIES**

The acquisition & disposal of long-term assets & other investments not included in cash equivalents.

## **INVESTMENT PROPERTY**

Property that is held solely to earn rentals or for capital appreciation or both.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee.

## **LEASE**

An agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for a period of time.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**NET BOOK VALUE**

The amount at which non current assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation and impairment.

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services.

**NON-DOMESTIC RATES (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

**OPERATING ACTIVITIES**

The activities of the Council that are not investing or financing activities.

**OPERATING LEASE**

A lease where the ownership of the non current asset remains with the lessor.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

**PRIOR YEAR ADJUSTMENT**

Material adjustments relating to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PRIVATE FINANCE INITIATIVE (PFI)**

PFI arrangements typically involve a private sector entity constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time on behalf of the public sector body. In return the public sector body pays for the use of the assets and associated services over the period of the arrangement through a unitary payment.

**PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, but the amounts or dates of when they will arise are uncertain.

**PUBLIC PRIVATE PARTNERSHIPS (PPP)**

A joint venture in which a private sector partner agrees to provide services to or on behalf of a public sector organisation. A Private Finance Initiative is a form of PPP.

**PUBLIC WORKS LOAN BOARD (PWLb)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RATEABLE VALUE**

The annual assumed rental value of a property, which is used for NDR purposes.

**RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

**RELATED PARTY TRANSACTIONS**

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETAIL PRICE INDEX (RPI)**

Originally a compensation index developed to protect workers from price increases associated with World War 1. After a number of significant developments it came to be used as the main domestic measure of inflation.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non current asset. This is to enable it to be funded from capital resources. Examples of REFCUS are grants of a capital nature to voluntary organisations.

**REVENUE SUPPORT GRANT**

A grant paid by Welsh Government to authorities, contributing towards the general cost of their services.

**SERVICE CONCESSION ARRANGEMENT**

A service concession arrangement generally involves the grantor (usually a public sector body) conveying to the operator (usually a private sector entity), for the period of the concession, the right to provide services that give the public access to major economic & social facilities.

**SOFT LOAN**

A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

**SOLACE**

Society of Local Authority Chief Executives

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TERMINATION BENEFITS AND EXIT PACKAGES**

Termination Benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's

decision to accept voluntary redundancy. The costs of Termination Benefits are deemed Exit Packages.

**TRUST FUNDS**

Funds administered by the Authority for such purposes as prizes, charities, specific projects, and on behalf of minors.

**UK GAAP**

The UK Generally Accepted Accounting Practice, now superceded by IFRS.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a non-current asset.

**WORK IN PROGRESS**

The cost of work performed on an incomplete project at the balance sheet date, which should be accounted for.

**Conwy County Borough Council**  
**Annual Governance Statement**  
**2019/2020**

**1 Introduction**

Conwy County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 and Local Government (Wales) Measure 2009, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has a **Local Code of Corporate Governance** which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and a **Governance Framework** which comprises the policies, procedures, behaviours and values by which the Council is controlled and governed. This statement is an evaluation of compliance with the Local Code and whether governance arrangements effectively support the delivery of Corporate Objectives. The Statement also meets the requirements of Accounts and Audit (Wales) Regulations 2014, which requires all relevant bodies to prepare an annual governance statement.

**2 What is Governance?**

Corporate governance is the system by which an organisation is directed and controlled.

A good governance structure will include as a minimum:

- Clear governance standards by which an organisation will be governed
- Governance roles and responsibilities
- A mechanism for measuring an organisation's performance against its governance standards.

To be successful an organisation must have a solid foundation of good governance and sound financial management.

### 3 Corporate Governance Arrangements

Conwy County Borough Council is committed to ensuring good governance principles and management practices are adopted in all business activities to ensure public trust.

#### 1) The Local Code of Governance

The Local Code of Governance provides a public statement that sets out the way in which the Council meets and demonstrates compliance with the CIPFA Governance principles.

#### 2) The Governance Framework

The Local Code is underpinned by a Governance Framework which comprises the policies, procedures, behaviours and values by which the Council is controlled and governed.

#### 3) The Annual Governance Statement

The Annual Governance Statement provides assurances over the Council's Governance arrangements, together with identifying areas of future focus and improvement. The purpose of the Annual Governance Statement is to report publicly on the extent to which the Council complies with its local code of governance. It identifies those areas which have been identified as needing improvement following self-assessment.

#### 4) Annual Governance Statement Action Plan

The Council continues to review the self-assessment areas of improvement and they are monitored through the AGS Action plan

### 4 Sources of assurance for this evaluation:

Assurance Required Upon	Sources of Assurance	Assurances Received
Delivery of Corporate Plan priorities	Corporate and Service plans	Annual Report Audit Wales Certificate of compliance
Services are delivered economically, efficiently & effectively	Service Performance Reviews Strategic Equalities Strategy	Corporate Performance Report Strategic Equality Annual Report Scrutiny Annual Review
Management of risk	Risk Management Framework	External challenge from Audit Wales
Financial planning and performance	Financial Performance Monitoring Reports Medium Term Financial Strategy Financial procedures Monitoring of economic indicators & associated financial receipts	Regular performance and financial reporting Annual Statement of Accounts Audit Wales Certificate of compliance
Effectiveness of internal controls	Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules) Council, Cabinet, Committees and Panels Strategic Leadership Team/Senior Management Team	External audit reports Internal audit reports Performance Development Reviews Heads of service Annual Statement of Assurance



Community engagement & public accountability	Community Involvement Strategy Community Involvement Forward Work Programme Complaints Policy	Community Engagement Feedback Ombudsman Reports
Project management & project delivery	Programme and Project management Framework	Benefits realised Report Lessons Learned Report
Procurement processes	Contract Procedure Rules	Value for Money Challenge contracts awarded
Roles & responsibilities of Members & Officers	Head of Paid Service, Monitoring Officer and S151 Officer	External Inspections Annual Review with Cabinet
Standards of conduct & behaviour	HR policies & procedures Codes of conduct	Complaints received
Training and development of Members & Officers	Corporate Learning and Development Plan Member Development Plan	Staff Survey Performance Development Reviews Councillor Annual Reports
Compliance with laws & regulations, internal policies & procedures	Policy framework Information Management Strategy ICT Strategy Welsh Language Promotion Strategy Health and Safety Policy Internal Audit Reports Whistleblowing & other countering fraud arrangements	Independent external inspections Welsh Language Annual Report Health and Safety Annual Report

## **Two key pieces of assurance are provided by Internal and External Audit.**

The Head of Internal Audit stated in the 2019/20 annual Audit opinion that the Council's internal control environment and systems of internal control provided adequate assurance over key business process and financial systems.

The Annual Internal Audit Report 2019/20 was scheduled to be submitted to the Audit & Governance Committee on 13 July 2020. Due to cancellation of the Committee meeting, it was agreed with the Cabinet Member for Governance & Performance and the Strategic Leadership Team that the Annual Report 2019/20 should be distributed to Members of the Audit & Governance Committee for their review and comment.

The Report concludes that the Authority has satisfactory internal control, risk management and corporate governance processes in place to manage the achievement of the Authority's objectives for the 12 months ended 31<sup>st</sup> March 2020. The findings in respect of follow up audits conducted during 2019/20 were reported to Audit & Governance Committee on a quarterly basis and 88% of critical and major recommendations have been implemented.

The external auditors, Audit Wales (formerly Wales Audit Office), issued an unqualified opinion on the accounts for 2018/19 and Letters of Compliance for the review of the Improvement Objectives and the Annual Report. Audit Wales' opinion for 2019/20 is awaited.

## **5 Review of Effectiveness - How do we know our arrangements are working?**

This statement builds upon those of previous years but is in a new format in light of the CIPFA 'Good Governance in Local Government 2020 Practitioner Update'. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. Conwy County Borough Council has responsibility for conducting, at least annually, a review of the

effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Management Team within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates. The effectiveness of the governance framework has been evaluated through review by the Improvement and Audit Group, and the Senior Management Team.

In light of Covid, this year's review has had to be undertaken virtually and has been delayed owing to all staff focusing on the response phase of the Covid 19 pandemic.

## DEFINITION OF ASSURANCE RATINGS

The following assurance rating has been used to self-assess our governance controls.

LEVELS OF ASSURANCE	CONTROLS	RISKS
HIGH ASSURANCE	Key controls are in place to ensure the achievement of service objectives and to protect the Authority against significant foreseeable risks and are applied consistently and effectively. No significant or material errors were found.	Low priority actions required which are easily managed.
SATISFACTORY ASSURANCE	Key controls exist to enable the achievement of service objectives and to mitigate against significant foreseeable risks. However, there was some inconsistency in application and opportunities still exist to mitigate further against potential risks.	Some opportunities still exist to mitigate further against potential risks. Some risk of loss, fraud, impropriety or damage to reputation.
LIMITED ASSURANCE	Key controls are in place and to varying degrees are complied with but there are gaps in the process which leave the service exposed to risks. Objectives are not being met or are being met without achieving value for money.	There is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure to the Authority. A high risk of loss, fraud, impropriety or damage to reputation.
NO ASSURANCE	Key controls are considered to be insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected.	Key controls do not exist and objectives are not met or are being met without achieving VFM. The Authority is exposed to very significant risk, which could lead to major financial loss, reputational risk of embarrassment or failure to achieve key service objectives.

The **Three Lines of Defence Assurance Model** is central to the evaluation of effectiveness

### 1. First line of defence

Under the first line of defence, operational managers have ownership, responsibility and accountability for directly assessing, controlling and mitigating risks. Each Head of Service signs a Statement of Assurance each year. Each Head of Service is responsible for delivering the outcomes set out in their service plan. They are responsible for identifying and managing the risks that may affect service delivery. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place.

Each Head of Service is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework within their service. Owing to Covid, not all assurance statements were issued and this will be improved upon in 20/21. There are twice yearly Service Performance Reviews which have provided assurance that services have sound governance and in the main are progressing well against their objectives and delivery of the Corporate Plan. Financial management remains a significant challenge for all services owing to austerity, but there is good compliance with governance arrangements including risk management, audit recommendations and reports to democracy. The Authority has been recognised as an exemplar in project management and received an award from the Association of Project Management in 2019 for the Modernisation Programme.

### Assurance Rating Satisfactory Assurance

## 2. Second line of defence

The second line of defence consists of an oversight and monitoring of activities covered by several components of internal governance (audit compliance, risk management, performance, financial control etc). This line of defence monitors and facilitates the implementation of effective governance practices by operational management and assists in reporting information up and down the organisation. A series of reports are written throughout the year including the annual report, financial reports, equality reports, Information Governance, scrutiny reports, Welsh languages reports – all of which are listed in the Governance Framework.

All reports have been presented to Scrutiny and either Cabinet or Council for review and challenge. The reports in the main identify that there the Authority is making good progress to meet Corporate Objectives and other supporting Strategies. The reports are balanced and identify areas for improvement where needed. A forward work programme is in place to ensure reports are presented in a timely manner and are regularly reviewed by the Chairs of Scrutiny with governance officers.

**Assurance Rating:** High Assurance

## 3. Third line of defence

Internal audit forms the organisation's third line of defence. An independent internal audit function with a risk-based approach to its work, provides assurance to senior management. This assurance will cover how effectively the organisation assesses and manages governance and includes assurance on the effectiveness of the first and second lines of defence. In total, in 2019/20 Internal Audit gave 39 audit opinions, of which 19 were high assurance, 14 were satisfactory assurance and 6 were limited assurance. There were no audit conclusions of no assurance.

External Audit ( Audit Wales, Estyn, CIW) provides an opinion on the statement of accounts, the governance of the authority, and the governance and management of Social Care and Education. Their Audit reports about the authority overall conclude that there are good governance arrangements in place.

[Audit Wales reports](#)

[Estyn Audit reports](#)

[CIW Audit reports](#)

**Assurance Rating:** High Assurance

## Key Governance Self-Assessment Questions

### 1. Are Governance Arrangements effective in supporting delivery?

- Corporate Strategies, Finances and service plans are aligned to the Corporate Plan Outcomes
- Long term outcome focused plans have been in place for a number of years, and the culture of outcome based planning is embedded in the Corporate Plan and at all levels of the organisation, including service plans. All key strategic plans and corporate risks are aligned to the relevant citizen outcome and all reports submitted for democratic approval must evidence how they support the Well-being of Future Generations Act and to which Corporate Plan outcome and or risk they contribute.
- All strategic plans are produced after implementing community engagement processes and are supported with resource management. There are strong links between strategic and financial planning. Key decisions reflect the impact on a number of factors, including sustainability, and the Authority continues to embed the Well-being of Future Generations (Wales) Act 2015 within by ensuring that the Act has been considered in all key plans and all key decisions presented to democracy
- Value for Money: the Council's Procurement policies include community benefits. They are an important part of our awarding criteria as is value for money in itself. Contract procurement rules require that managers demonstrate value for money which therefore may not always be the cheapest option

- The Conwy Opportunities Board, Service Performance Reviews, Programme and Project Boards and Performance Development Review all provide review, challenge and discussions for improvement. The Staff Suggestion Scheme also invites Staff and Members to put forward ideas for improvement.
- Annual Reports and highlight reports from programme and projects are evidence that in the main, our objectives are being delivered despite austerity. Over recent years we have had to adjust targets and in areas made a decision for managed decline in alignment with reduced budgets.
- Where there is evidence of performance in need of improvement, action plans are put in place and monitored.

## **2. Are there barriers to achievements?**

The most significant barrier to achievement is financial austerity and the reduced capacity of staff who are taking on more roles as staff are not replaced. We continue to meet budget efficiencies but this becomes more challenging every year, and as a result difficult decisions have had to be taken to increase charges or reduce or stop some service provision.

Whilst we have an oversight of and attend all regional strategic partnerships, it is a complex landscape and careful management is needed to ensure that boards do not duplicate or conflict.

## **3. Is governance supporting the delivery of objectives?**

- The Authority continues to review internal controls and make changes as required by legislation. Internal Audit regularly review their Assurance Map which is used to inform the Internal Audit Plan.
- The Head of Audit & Procurement Services and the Audit Managers meet regularly with service management teams to discuss their latest risks, concerns and requirements. This ensures that Internal Audit are up to date and aware of emerging issues and risks and will be able to focus resources in the greatest areas of priority and risk at the time.
- There are twice yearly performance reports to Democracy and Senior Management and all Managers can access performance data through CAMMS at any time.
- The Corporate Risk register is aligned to the Citizen Outcomes and there are measures and method statements in place to support each corporate action.
- There are routes for both the public and staff to feedback their views through the County Conversation, community engagement exercises, e-petitions, staff appraisals and a new staff ideas portal.
- There are feedback mechanisms in place through the social media, staff brief, social media and managers' forum.
- All projects and programmes have benefits realisation plans in place and keep lessons learned logs which are shared through the Programme and Project Management Forum.
- There has been an ongoing programme of modernisation across the whole Authority to ensure that we meet the highly ambitious budget reductions and ensure that we are as efficient as possible.

## **4. What do we do well?**

- There are clearly defined functions and roles to facilitate Members and Officers working together to achieve a common purpose, and to determine the interventions necessary to meet the Well-being of Future Generations (Wales) Act and the corporate outcomes.
- All Corporate Priorities and Corporate Risks are assigned to Senior Managers and Cabinet Members in order that they can be held to account for the effectiveness of implementation.
- There are robust arrangements for effective financial control through the Authority's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing forecasts of revenue and capital expenditure to annual budgets and a business planning framework process that supports the Authority's resource allocation process.
- Despite 12 years of austerity, the Authority has a good track record of managing its spending plans within the approved budget. Successive Annual Improvement Reports produced by the Wales Audit Office (now Audit Wales) concluded that there is good internal control.
- The failure in governance processes for the Mochdre Commercial Lease were reported in the last AGS, but the Authority has learnt from this, and a comprehensive action plan has been implemented to prevent a similar situation happening again.

## 5. What could we do better?

- We need to ensure that Statements of Assurance are received from all Heads of Service
- We need to reschedule the AGS action plan work put on hold owing to Covid
- We need to review our risks in light of Covid and the future challenges we may face
- We need to continue to build on the strengthened local community relationships built during lockdown
- We need to compile a list and time line of key policies that we need to review in light of ongoing/long term Covid restrictions
- We need to review service continuity plans in light of lessons learned from Internal Audit review of Covid 19 emergency response arrangements

## 6 COVID 19

It must be recognised that whilst the Annual Governance Statement assesses governance in place during 2019/20, the Covid 19 pandemic has impacted on governance arrangements from March 2020. There has been a significant impact on funding, reserves strategy and cash flow challenges and there will be longer term financial strategy implications. The funding and logistical consequences of delivering the local government response have been logged in order to draw down Hardship funds from Welsh Government

The pace at which the country moved from business as usual to lockdown was unprecedented. From a governance perspective, Democratic meetings were cancelled, but were reintroduced on line with the first Informal Members Briefing on 6th May. The first 'formal' virtual meeting was Planning Committee on 13th May 2020. Zoom has been used to enable simultaneous translation and public access. We are currently investigating a hybrid model of meetings but there are software limitations which are still to be overcome.

The North Wales Resilience Forum established a Strategic Coordinating Group (SCG) and Tactical Coordinating group (TCG) for North Wales. A Multi-Agency Response phase strategy was initiated in line with the Civil Contingencies Act 2004. The Overarching strategic aim was to:

*“Respond effectively as an LRF to minimise the impact of the Covid-19 outbreak on health, society and the economy, and to maintain public trust and confidence”*

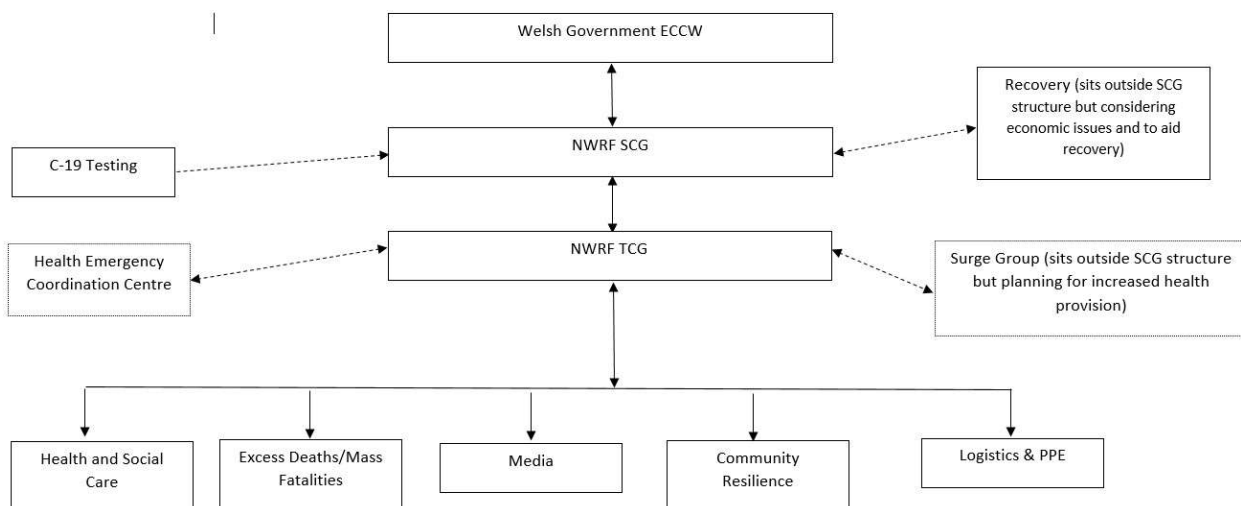


Diagram source: North Wales Resilience Forum

Internally, a series of regular meetings were held including



- Informal Cabinet
- Group Leaders
- Social Care & Education Member Briefings
- WLGA & Leaders
- North Wales Leaders
- Leader & BCUHB Chair with CEO & Strategic Directors
- Wales CEOs
- North Wales CEOs
- Covid 19 Leadership Team
- Strategic Leadership Team
- Senior Management Team
- Strategic Coordinating Group
- Social Care & Education Gold, Silver and Bronze
- Headteachers' conferences

## **6.1 Impact on Service Delivery**

We chose to close some of our services in advance of Welsh Government decisions: e.g. theatres and conference centre; libraries, and leisure centres. In due course, Welsh Government Regulation ordered that they be (or remain) closed.

We also chose to close other areas in order to support the national regulations and guidance requiring people to “Stay Home”. We closed car parks, public toilets, street bins, household waste & recycling centres and our offices. Our schools closed (for education purposes) until 29<sup>th</sup> June when they opened for 4 weeks ‘check in catch up and prepare’. At the time of writing our offices remain closed to the public and are only being used by those colleagues who are unable to work from home such as payroll, Galw Gofal, CCTV, Post Room/Document Image Processing team.

As we made these decisions, we worked hard to communicate with Elected Members and the public about what was no longer open and how things were changing.

A significant proportion of our services and functions have continued and/or been enhanced during lockdown. The agile ways of working and business infrastructure that we created through our Modernisation Programme allowed the vast majority of core services to continue to operate from disparate locations. Social Services, support services, recycling and waste collections continued albeit with some changes and our office staff all continued working home. Care homes and domiciliary care providers have been at the sharp end of caring, often for the very most vulnerable in Conwy. Social Services provided additional support and guidance (including from our Environmental Health Officers) as well as providing them with as much PPE as was available.

Schools remained open 7 days a week to provide emergency childcare provision for keyworkers, additional learning needs and vulnerable children. Free School meals continued to be provided until a direct payment system was introduced and an IT loan scheme was initiated for children to access distance learning.

Different operating models contributed to the need for us to review, flex and clarify how our existing HR policies would operate. Our Corporate HR service considered what changes may be appropriately, consulted upon and communicated those changes. One key change was the introduction of additional flexibilities around working arrangements and times which, for example, enabled working parents, guardians or carers to accommodate meeting their parental responsibilities and caring responsibilities with their work commitments.

It was also imperative that we had sound and consistent data on our absence levels: for those isolating, shielding, furloughed and for those who were off sick. HR colleagues implemented a system of daily updates. The principal consultees on the HR matters were our main recognised Trades Unions (Unison, GMB and Unite).

## **6.2 Business Support**

As the national and local economy closed down, the UK Government introduced a series of measures to support businesses including the award of 'business grants' which were linked to the rateable value of the business premises. The Local Taxation Team, in conjunction with IT and Business Support colleagues created a system that issued 460 £25,000 grants totaling £11.5 million and 2,806 £10,000 grants totalling £28 million. We have carried out a range of activity to support the business community including:

- We administered the start-up grant for Welsh Government, and made payments totalling £207,000 to businesses across Conwy county
- Our Business Support team communicated both UK and Welsh Government guidance about all business support packages to Conwy Businesses via our business database, websites and social media, to ensure that local businesses are kept informed
- The Council's Regulatory Services teams have been working closely with businesses advising them on re-opening.
- We established a Covid-19 response fund to support businesses with small purchases of PPE. £50,000 has been distributed.
- We are working with individual businesses about their needs as a result of Covid-19 closure and re-opening
- We have delivered a series of webinars for local business, which have been well attended, offering advice and support during the crisis.
- We have been working with all town councils across the county in relation to the Welsh Government's town centre funding, so that town councils can purchase items such as street furniture, signage, outdoor space coverings, etc. to support town centre recovery.

### 6.3 New areas of activity

As part of the national response to coronavirus new services were initiated and staff who's service areas had closed, were asked via questionnaire where they were willing to work, then retrained and redeployed to provide support.

As we began to understand the impact of lockdown on our people, and especially those who were to be shielded, it became apparent that many people would find difficulty in accessing food, medicines and other support that they would routinely manage. Within a very short period of time, we established a brand new service, our **Community Support Service**. Members of our communities (or someone on their behalf) could telephone for help, a small team of 'brokers' identified how the help could be provided and another small team shopped and delivered. This service has also engaged with Food Banks where necessary in order to support those in need.

This new service focussed on offering support to those who were specifically advised to 'Shield' themselves from the general public as a consequence of specific medical issue(s). Those Shielded people were entitled to a food box from Welsh Government and the service has been able to assist and supplement where necessary.

The service ran from mid-March and took circa 1500 calls at the height of the pandemic. A remodelled Community Service Helpline went live on the 1<sup>st</sup> of April and from then until the 31<sup>st</sup> of July we took 6,161 calls and 2,462 requests for services.

From 16<sup>th</sup> August, the collection and delivery service will end as people will no longer need to shield, but the service, will remain as a signposting service and will be ready to restart provisions should a 2<sup>nd</sup> wave occur.

### 6.4 Test, Trace and Protect

As an important tool in exiting and staying out of lockdown, Welsh Government announced that Councils were to have a key role in the Test, Track and Protect scheme. Regulatory Services, working with IT and HR, were able to create a team of re-deployed colleagues to begin the 8am to 6pm, 7 day a week, service in support of easing out of lockdown. As services reopen staff have had to return to their substantive roles, and a recruitment process is now taking place to create a sustainable employed model, funded by Welsh Government.

## **6.6 Communications**

The Chief Executive issued daily e-mail updates to the Leader, Deputy Leader and Chairman which were shared with our senior managers.

Our Press Office issued daily updates to the media on service availability and we increased our social media messaging and presence to keep the public informed. Our social media platforms have grown in popularity: with 1000 new followers on Facebook since April and the 30 videos produced have been viewed 230,000 times. A newsletter was issued to every household in the county providing information on what support is available.

The Leader provided daily updates to all members, drawing on the updates from the CEO, WLGA, BCUHB and others. This became supplemented by portfolio updates from each Cabinet Member, based around regular briefings they were receiving from senior officers.

## **6.7 Re-purposed premises**

- Venue Cymru remains repurposed as Ysbyty'r Enfys.
- The Council's leased site at Mochdre Commerce Park was repurposed as a temporary body storage facility

Thankfully neither have been needed for Covid purposes but Ysbyty'r Enfys has been utilised but Betsi Cadwaladr Health Board for other purposes. Despite the absence of a venue to deliver arts and cultural events Venue Cymru has continued to deliver education and outreach work including 'YsCWL' an on-line project providing learning videos, activities and content to support home-schooling.

Some of our Leisure Centres already host Multi-Disciplinary Health/Social Care offices, but they have also been used to accommodate maternity, antenatal and health visitor clinics, and act as Covid assessment centres as well as providing access to showering facilities for key health and social care workers. The Builder Street Coach Park, Llandudno was also repurposed as a sub-regional Covid testing centre.

## **6.8 Looking Forward:**

### **Renewal**

As we move into recovery, we have established a Renewal Programme.

The programme will build and maximise upon the beneficial ways of working realised post lockdown and ensure these are further employed appropriately in the immediate, medium and longer term.

There is a real opportunity to do things differently to the benefit of carbon reduction, staff welfare, service delivery to the public and efficiency across the organisation.

Across the Authority, there are several projects, working to 'unlock' our front line services and consider how we work in the future. These have overlapping areas and need to be co-ordinated to enable consistency across all services. The two main projects within the programme are Workwise 2020 and Service Renewal.

### **Workwise 2020**

Workwise 2020 focuses on our operating model moving forward including continued working from home alongside safe re-opening of our office spaces.

### **Service Renewal**

Service Renewal focuses on safe re-opening of our front line services to the public.



## 6.9 Review and Horizon Scanning

Internal audit are under taking a review of Covid 19 emergency response arrangements commencing in September 2020.

A horizon scanning assessment in conjunction with our insurers, Zurich, will take place in October 2020 to ascertain future risks, which includes:

- Identification of new and emerging risks arising in the aftermath of COVID-19
- Assessment of how the risk landscape has changed as a result of COVID-19
- Visualise the current perception of risk within the authority
- Comparing Zurich's view of the key risks with our own
- Begin to put controls in place to mitigate risks going forward
- Maintain organisational resilience during recovery from COVID-19

## 6.10 An assessment of the longer-term consequences

An assessment of the longer-term consequences and recovery arising from the Covid 19 pandemic is also underway via the autumn service performance reviews which will ask:

- a) **Looking back**  
Overview of the service's approach to Covid response  
Achievements / Main challenges
- b) **Looking forward**  
What the service's objectives for the rest of 20/21 look like  
What are the service challenges  
Have business models changed temporarily/ permanently  
Will service delivery change
- c) **New risks or issues**
- d) **Wellbeing of staff – how are teams doing**

## 7 Governance Issues

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit & Governance Committee, Finance & Resources Overview and Scrutiny Committee and Cabinet and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas to be specifically addressed with new actions planned are outlined below.

There are no significant governance issues, but after a process of self-evaluation to review our effectiveness, the following internal recommendations for improvement have been made.

- R1** Ensure that Statements of Assurance are received from all Heads of Service
- R2** Reschedule the AGS action plan work put on hold owing to Covid
- R3** Review our risks in light of Covid and the future challenges we may face
- R4** Continue to build on the strengthened local community relationships built during lockdown.
- R5** Compile a list and timetable of key policies that we need to review in light of ongoing/long term Covid restrictions
- R6** Review service continuity plans in light of lessons learned from Internal Audit review of Covid 19 emergency response arrangements

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. While our corporate governance arrangements have been effective in supporting the Council through the many changes it has gone through in recent years, we will ensure that this continues to be the case in 2020-21 and in to future years as we continue to meet our challenges. At the time of writing, the Authority is responding to & recovering from the Covid-19 pandemic. Our governance arrangements are working well in these unprecedented circumstances, and while we cannot yet say what the long term impacts of Covid-19 will be for public finance and public services, the change could be profound, and we need to continue to ensure that our Governance

Framework is fit for purpose.

## Conclusion

The Authority has access to good information on which to base decisions which are made in a transparent manner through public documented meetings. Elected Members are aware that decisions must consider the Well-being of Future Generations (Wales) Act 2015 and through the New Member Induction all Elected Members were made aware of their scrutiny responsibilities. Decisions are subject to effective external and internal scrutiny and where weaknesses are found, action plans are promptly put in place and monitored Based on this self-assessment, the overall conclusion is that our governance arrangements for the period 2019/20 were fit for purpose.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation throughout the year.

**Signed**



**Date 03/09/2020**

**Iwan Davies  
Chief Executive**

**Signed**



**Date 03/09/2020**

**Councillor Sam Rowlands  
Leader of the Council**