



Cyngor Sir  
**CEREDIGION**  
County Council

# **STATEMENT OF ACCOUNTS**

for the year ending  
31st March 2021  
Audited



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## **NARRATIVE REPORT**

### ***About Ceredigion County Council***

The County of Ceredigion covers an area of over 690 square miles of breathtaking scenery, dramatic coastline and vibrant communities. The County is geographically one of the largest in Wales and has a population figure of over 72,000 scattered around the County with the main towns being Aberystwyth, Cardigan, Lampeter, Llandysul, Aberaeron and Tregaron.

Ceredigion caters for many industries namely agriculture, tourism, food manufacturing companies, retail, scientific research and many other indigenous businesses scattered around the County. Education plays a big role within Ceredigion, with two Universities, a Further Education College, 4 secondary schools, 3 middle schools and many Primary schools dotted around the County.

Ceredigion County Council is a unitary authority formed on 1 April 1996 and is responsible for a wide range of services and activities. The Council has adopted the "Cabinet" system of administration. The Cabinet normally meets every three weeks, and carries out the Executive functions for the Authority. Ceredigion County Council employs over 3,500 members of staff who deliver the services on a day-to-day basis. The Council's main offices are located at Aberaeron and Aberystwyth and there are also satellite offices located in Cardigan and Lampeter.

Throughout 2020/21 the Council has had to manage the impact of the COVID-19 outbreak. Information is included throughout the Statement of Accounts.

### ***The Council's vision:***

***"Ceredigion County Council delivers value for money sustainable bilingual public services that support a strong economy and healthy environment while promoting well-being in our people and our communities."***

## **Priorities and Objectives**

The Priorities for Ceredigion incorporating the Well-being and Improvement Objectives for 2020/21 were as follows:

<b><u>Priority</u></b>	<b><u>Well-being and Improvement Objectives</u></b>
1. Boosting the Economy	<ul style="list-style-type: none"> <li>• Promote and provide employment opportunities for the citizens of Ceredigion</li> <li>• Enhance prosperity through collaborative and innovative partnership schemes</li> <li>• Develop 21st Century Infrastructures across the County</li> </ul>
2. Investing in People's Future	<ul style="list-style-type: none"> <li>• Improve opportunities for learning and skills development for all citizens.</li> <li>• Protecting people from poverty</li> <li>• Working in partnership to promote and foster healthy and active lifestyles</li> <li>• Promote and facilitate the distinct and vibrant bilingual culture and identity of Ceredigion</li> </ul>
3. Enabling Individual and Family Resilience	<ul style="list-style-type: none"> <li>• Promote the well-being of individuals and families within safe and accessible homes</li> <li>• Protect the most vulnerable by promoting early intervention and prevention</li> <li>• Enable individuals and families to regain and maintain their independence</li> </ul>
4. Promoting Environmental and Community Resilience	<ul style="list-style-type: none"> <li>• Actively engage in programmes to minimise Ceredigion's contribution to climate change and bio-diversity loss and deal with its effects</li> <li>• To improve infrastructure to facilitate future development to meet community needs</li> <li>• To help and assist communities to become more self-resilient</li> </ul>

The Priorities and Well-being and Improvement Objectives were expected to contribute to the achievement of the well-being goals as shown below.

	<b>Goal</b>	<b>How the Council's Priorities and Well-being Objectives will meet the Well-being goals?</b>
1.	<b>A prosperous Wales:</b>	All of our Priorities capture the importance of developing an economy in Ceredigion. Employment, skills development, housing, the environment, business support, and regeneration will contribute to a prosperous Wales.
2.	<b>A resilient Wales:</b>	Promoting Environmental and Community Resilience focuses on the protection of our natural environment and includes initiatives to enhance and develop communities ability to respond to environmental disasters
3.	<b>A healthier Wales:</b>	Investing in people's Future focuses on protection of families, children and adults from poverty and promotion of healthier, more active lifestyles whilst Enabling Individual and Family resilience seeks to improve housing, enable independent living and provide early intervention and prevention services for the most vulnerable
4.	<b>A more equal Wales:</b>	All of our Priorities seek to establish a more Equal Wales by ensuring equal opportunities for employment, housing, education, healthier lifestyles and sustainable communities
5.	<b>A Wales of cohesive communities:</b>	Building the strength of our communities is a key feature in three of our priorities
6.	<b>A Wales of vibrant culture and thriving Welsh language:</b>	The Council has agreed to conform to the requirements of the Welsh Language Standards and further measures to promote bilingualism and the Welsh language are included in our objectives
7.	<b>A globally responsible Wales:</b>	In considering our wellbeing and Improvement objectives we have taken into account the well-being assessment and engagement work to ensure that we can make a positive contribution to global well-being.

### **COVID-19**

The COVID-19 crisis emerged at the end of March 2020, and has had far reaching effects. The following summarises The Council's response:

- Phase 1 – Preparedness – closed down all non-essential services
- Phase 2 – Implementation – delivered services under lockdown conditions
- Phase 3 – Adjustment – establish medium to long-term strategies that will identify new working practices that can continue through to the end of the COVID-19 outbreak.

Phase 3 provides an adjustment phase from the first two phases to a fourth, recovery phase. To enable this to happen, the adjustment phase must consider three main components that will be critical to dealing with COVID-19 whilst at the same time releasing elements of the lockdown safely and in a controlled and structure manner.

## Services of the Council

The Services of the Council for 2020/21 were:

<b>Leadership Group</b>	<b>Porth Gofal</b>	<b>Porth Cymorth Cynnar</b>	<b>Porth Cynnal</b>
<ul style="list-style-type: none"> <li>•Leadership Group</li> </ul>	<ul style="list-style-type: none"> <li>•Porth Ceredigion Intake &amp; Triage</li> <li>•Targeted Intervention Services</li> <li>•Fostering Services</li> <li>•Residential &amp; Day Care Services</li> <li>•Housing</li> <li>•Community Equipment Stores</li> </ul>	<ul style="list-style-type: none"> <li>•Lifelong Learning &amp; Skills</li> <li>•Behaviour Support Services</li> <li>•Early Help, Support &amp; Intervention Services</li> <li>•Leisure &amp; Wellbeing</li> <li>•Youth Support Services</li> </ul>	<ul style="list-style-type: none"> <li>•Safeguarding, Quality Assurance &amp; Independent Review</li> <li>•Mental Health</li> <li>•Planned Care</li> <li>•Substance Misuse</li> <li>•Extended Support Services</li> </ul>
<b>Schools &amp; Culture</b>	<b>Finance &amp; Procurement</b>	<b>Democratic Services</b>	<b>People &amp; Organisation</b>
<ul style="list-style-type: none"> <li>•ALN &amp; Wellbeing</li> <li>•School Improvement</li> <li>•Infrastructure &amp; Resources</li> <li>•Culture</li> </ul>	<ul style="list-style-type: none"> <li>•Procurement &amp; Payments</li> <li>•Core Finance &amp; Accounts</li> <li>•Service Finance &amp; Accounts</li> <li>•Revenues, Tax Support, Benefits &amp; Assessments</li> </ul>	<ul style="list-style-type: none"> <li>•Democratic Services</li> <li>•Welsh Language Standards</li> <li>•Communication</li> <li>•Electoral Services</li> </ul>	<ul style="list-style-type: none"> <li>•HR Advice &amp; Admin</li> <li>•Pay &amp; Benefits</li> <li>•Learning &amp; Development</li> <li>•Health, Safety &amp; Wellbeing</li> </ul>
<b>Policy, Performance &amp; Public Protection</b>	<b>Highways &amp; Environmental</b>	<b>Economy &amp; Regeneration</b>	<b>Customer Contact</b>
<ul style="list-style-type: none"> <li>•Strategic Partnerships, Engagement &amp; Research</li> <li>•Complaints, Compliments &amp; FOI</li> <li>•Public Protection</li> <li>•Corporate Performance &amp; Policy</li> </ul>	<ul style="list-style-type: none"> <li>•Highways Maintenance</li> <li>•Highways Development</li> <li>•Local Environment Services</li> <li>•Transport Services</li> </ul>	<ul style="list-style-type: none"> <li>•Growth and Enterprise</li> <li>•Planning</li> <li>•Property</li> </ul>	<ul style="list-style-type: none"> <li>•ICT and Information Management</li> <li>•Corporate Customer Services</li> <li>•Library Services</li> <li>•Civil Registration</li> </ul>
<b>Legal &amp; Governance</b>			
<ul style="list-style-type: none"> <li>•Legal</li> <li>•Governance</li> <li>•Internal Audit</li> </ul>			

During 2020, Adult Services, Children's Services and Lifelong Learning and Culture have been removed from our corporate structure and Porth Cymorth Cynnar, Porth Gofal and Porth Cynnal have been introduced.

### Governance

The Annual Governance Statement (on pages 101 to 124) outlines the Council's approach to ensuring that it maintains an effective system of corporate governance and internal control. The statement is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified.

### **Issues and risks affecting the Council**

It is important to recognise risk during these extremely challenging times. The Council's corporate risks, their risk score and RAG (red, amber, green) ratings at the start and end of the year are shown below:

<b>Corporate Risk</b>	<b>Beginning of the year</b>	<b>End of the year</b>
Corporate Improvement & Performance Management Arrangements	9/Amber	9/Amber
Business Continuity & Civil Contingency	25/Red	10/Amber
Medium Term Financial Plan	15/Red	15/Red
Through Age and Well-being Programme	15/Red	15/Red
Information Management – Security	8/Amber	8/Amber
Capacity and Capability	6/Amber	-
Climate Change	8/Amber	16/Red
Coastal Erosion and Flooding	25/Red	25/Red
Supporting Local Food Businesses and Impact on the Economy	6/Amber	16/Red
Brexit	15/Red	16/Red
Safeguarding Children, Young People and Adults	15/Red	15/Red
COVID-19	25/Red	25/Red

- **Business Continuity** – the overall risk score has been reduced to reflect the implementation of the Council's Emergency Response Plan, the reviewing / updating of all service's business continuity plans just prior to the pandemic, the Local Authority command structure and our role in the Local Resilience Forum (COVID-19 Strategic Coordination Group).
- **Through Age & Well-being Programme** – this risk was previously titled "Transformation of Social Care", but has been renamed to reflect the correct programme name. The Programme has been established and developed to transform the way the Council will deliver Social Care services and aligns with the requirements of the Social Services and Wellbeing Act.
- **Capacity and Capability** – has been removed following the delivery of a number of initiatives that considerably reduced the risk, including the creation of the new careers site, the apprenticeship scheme and the implementation of the Ceredigion Manager Training Programme to mention just a few. Following the last review, the risk score was reduced from 6 to 4 and moved from a status of 'Amber' to 'Green'. It is therefore appropriate to remove it from the Corporate Risk register in accordance with the Risk Management Framework.
- **Climate Change** – the title has been updated to Climate Change from Carbon Management to more accurately reflect the nature of the risks around carbon emissions, flooding and energy management.
- **Support Local Food Businesses** – the risk score has increased from 6 to 16. Staff are concentrating on the control of COVID-19 in their day to day work, and this is the priority for the Public Protection Team at this time. Food standards and inspections were suspended entirely for the first half of this year, then briefly recommenced, but have since stopped again apart from high risk premises, or where there are complaints or intelligence that standards may have fallen.



- **Brexit** – the risk score has decreased to reflect the latest situation regarding the risks associated with leaving the EU. A UK/EU Trade and Cooperation Agreement was reached on 24 December which was ratified by the UK Parliament ahead of new arrangements with the EU. Leaving the EU with a deal has reduced the risk to Ceredigion, although the Trade and Cooperation Agreement is still causing some disruption. The Council is monitoring the impact of Brexit via a sub group of officers, which reports to Leadership Group.
- **Corporate Improvement & Performance Management Arrangements, Medium Term Financial Plan, Information Management - Security, Coastal Erosion & Flooding, Safeguarding** and **COVID-19** have no changes, but mitigating actions have been reviewed.

### ***Financial Strategy and Resource Allocation***

The purpose of the Financial Strategy is to provide a financial governance framework to operate within by setting out the issues that are considered and taken into account for financial planning for the medium term. By bringing together financial assumptions; standards of service delivery; demographic needs; and workforce planning issues it is expected that the Council will be better able to consider overall management of its resources to meet its objectives. The Council's financial objective is for the careful and responsible use of resources and to ensure that the financial resilience of the Council is maintained and strengthened. The Audit Wales issued a Financial Sustainability Report to the Council in February 2020 which concluded that 'The Council has a clear financial strategy over the medium term supporting it to remain financially stable'.

There are many challenging years ahead in local government with public finances continuing to be extremely tight and this has a direct impact on the Council's budgets. These are therefore difficult times from a budgetary and service delivery perspective, particularly as the consequences of the COVID-19 pandemic on public finances become apparent. However, from this challenge opportunities should also arise by seizing the agenda and considering how services can be delivered differently and better, and ensuring greater value for money for the taxpayer.

The Council's medium term financial forecast is set within the context of national economy, public expenditure plans and national legislation and regulations. It is being formulated within a context of a difficult national economy and a time when significant austerity measures have been introduced. The Council receives approximately 71% of its net revenue budget from the Welsh Government hence reliance is placed on the economy as a whole and the UK Government's ability to raise taxes to fund Public Services. The economic downturn places increased pressures on the Council's own finances and also on the wider community. The medium term financial forecast will therefore need to remain flexible to respond to any opportunities or threats that this external environment will present. How the UK economy grows in the years ahead will impact on the availability of grant

funding. The increased income raised from Council Tax, although significant, represents a smaller part of meeting increased costs.

The population projections indicate that nationally, and for Ceredigion, people will live longer which will have an impact on all services and particularly from the age category of 65 and above. The latest population forecasts indicate a reduction for Ceredigion which has had an adverse effect on the amount of funding allocated via RSG for 2021/22.

The financial strategy is therefore to continue to manage the forecasted gap between likely resources and budget requirement in order to deliver a balanced budget position whilst meeting the Council's objectives. This outcome can be achieved by focusing mainly on identifying savings in advance of the budget being set in order that they can be realised in time for the start of the relevant financial year.

#### COVID-19

It is anticipated that the Finances of the Council will continue to be affected by COVID-19 during 2021/22. WG have included some funding in their budget to cover some COVID-19 costs and have indicated that they will provide funding to Councils in 2021/22 – although final details are not yet known. It is assumed that the Council will have to fund circa £1m to cover any shortfall in COVID-19 funding in 2021/22. A budget will be included under Leadership Group funded from earmarked reserves.

## **Financial Performance - Revenue**

The final overall position is that there is an underspend on Services of £113k which, together with a £376k surplus on Council Tax collection, results in a £489k increase in General Balances, which will rise to £6.052m. This figure equates to 3.9% of the 2021/22 Budget and close to the mid-point of the target range of between 3% and 5%. The 2020/21 performance demonstrates that despite COVID-19, the Council's overall financial position remains positive and the Council's balance sheet is strong. The Council has continued its track record of bringing in a balanced budget, delivered through an effective Corporate structure supported by the Finance & Procurement service.

Earmarked reserves are regularly reviewed and re-aligned to emerging priorities, commitments and potential needs. This has been looked at further as part of the Outturn process and a full breakdown of the Earmarked reserves is shown in Note 1.8. In overall terms Earmarked reserves at year-end have increased to £38.5m (being 25% of the 2021/22 Budget).

Managing the financial dynamics of COVID-19 has continued to be both challenging and resource intensive, which has meant the 2020/21 financial year has been a unique and unprecedented one for most Services. The impact has been seen through an increase in costs, losses of income and a combination of additional resources and redeployment of staff in order to support and implement new areas of activity. Late on in the financial year much greater clarity came through from WG in the form of expanding eligible areas for Hardship funding, additional funding announcements and quicker and more positive consideration of grant claims. This recognition has been very much appreciated and welcomed and has contributed significantly to the improved financial position.

### **NON-COVID-19 BUDGET PERFORMANCE**

It is important to note that there has not always been a black and white distinction with COVID-19 in terms of financial impact. Whilst there are clear specific impacts that are referenced in the COVID-19 section of this report, there are also more subtle and indirect impacts being seen across most services, which together with a significant number of additional funding announcements, that came through during February and March, has helped contribute to the final generally positive position. It has meant that the year is unique in financial terms and final individual service positions in most cases are not reflective of a 'normal' or 'typical' year.

The only area of overspend relates to the Porth Through Age model, where the net final position is an overspend of £573k. Within this position there are a number of variances due to the complexity and diversity of the underlying budgets and the continued development of the new model. Ultimately underspends within both Porth Gofal (£950k) and Porth Cymorth Cynnar (£351k) have been used via an earmarked reserve to offset the position in Porth Cynnal as all 3 services are intertwined.

Despite the COVID-19 position, Delegated School budgets have ended the year in a very positive position. School Balances overall have increased from £2.68m to £6.35m, with no schools being in a deficit position. It is important to note that this position has arisen due largely to additional funding streams that became

available, mainly quite late on in the financial year (e.g. Repairs & Maintenance funding - £978k, various Accelerated Learning Programme monies - £1.006m) with additional grant monies each being subject to specific WG terms and conditions. In addition, more areas became eligible for WG Hardship funding and there were areas of COVID-19 related savings that have been retained by Schools (e.g. Exam fees, Utilities and Transport costs). Governing Bodies will need to use the one-off resources they have available in their Balances wisely and prudently as part of delivering their Educational outcomes and the continued recovery from the disruption that COVID-19 has had on the Schools. The Council continues to actively support all Schools in this regard.

One of the key outcomes of the year–end review is the creation of 4 specific Earmarked reserves, one for each of the 4 Corporate priorities. This demonstrates the clear financial commitment and investment being put in place to deliver the Corporate Priorities:

<b>New Reserve Name</b>	<b>31/03/21 Balance £'000</b>	<b>Main Commitments</b>
Investing in People's Future *	5,438	21 <sup>st</sup> Century Schools match funding
Boosting the Economy	4,510	Growing Mid Wales / Economic Strategy
Enabling Individual & Family Resilience	500	Pyrth Through Age model
Promoting Environmental & Community Resilience *	4,450	Coast Protection match funding, Ash Dieback, Carbon Strategy initiatives

\* Includes elements from Corporate Capital and Developing Education reserves.

The final controllable revenue outturn position for each Service is outlined overleaf:

Corporate Lead Officer / Service	2020/21 Latest Budget £'000	2020/21 Actuals £'000	Under/ (Over) spend £'000	Comment
Democratic Services	3,945	3,957	(12)	No issues of significance
Finance & Procurement	20,881	20,858	23	There has been a reduced need to borrow meaning lower interest costs, staffing savings, Insurance premium savings, additional COVID-19 funding plus a reduced call on the Redundancy budget. This has enabled monies to be set aside for the May 2022 election (£200k), to the Contingency (inc COVID-19) reserve (£750k), to the Corporate Capital reserve (£350k) and to create the new Individual & Family Resilience reserve (£500k)
Customer Contact	5,588	5,445	143	No issues of significance
Legal and Governance	1,532	1,476	56	No issues of significance
Policy, Performance & Public Protection	2,205	2,178	27	Main issue of concern relates to an ongoing Contaminated Land remediation works case
People & Organisation	2,071	2,007	64	No issues of significance
Highways & Environmental Services	16,334	16,305	29	Additional WG funding has contributed significantly to an underspend on Highways & related maintenance works (£726k) with lower costs also being seen in Street Lighting (£153k) and Transport (£184k), plus a combination of lower costs and additional WG grant on Waste (£316k). This has enabled a £1.45m reserve to be set aside to support Environmental & Community Resilience initiatives including Ash Dieback and future Carbon Strategy related investments.
Economy & Regeneration	3,269	3,276	(7)	An underspend arising from various areas across the service has been used to increase the new Boosting the Economy reserve by a further £400k
<u>Pyrrh Through Age Model</u>				The main areas of overspend relate to Direct Payments (£959k) and Older Persons Independent Sector Beds (£813k) which are both under Porth Cynnal, with offsetting underspends within Porth Gofal [£950k – mainly Dom Care (£420k), Housing (£150k) and Homelessness (£212k)] and Porth Cymorth Cynnar [£351k – mainly Wellbeing Centres (£130k) and Early Intervention Services (£157k)].
Porth Cynnal	21,377	21,950	(573)	
Porth Gofal	10,236	10,236	-	
Porth Cymorth Cynnar	3,158	3,158	-	
	34,771	35,344	(573)	
<u>Schools &amp; Culture</u>				Underspends within School Improvement (£353k), Additional Learning Needs (£531k) and Corporate Catering (£289k) which are mainly due to a combination of Staff savings, higher income on Inter Authority Recharges, Equipment & Transport savings together with additional grant funding. This has enabled £1.25m of funding to be set aside for future Schools related capital projects. There is also an increase in School Balances of £3.7m.
Schools & Culture (LEA)	6,799	6,786	13	
Delegated Schools Budgets	42,074	42,075	(1)	
	48,873	48,861	12	
Levies, C/Tax Premium and Reserves	4,806	4,475	331	No issues of significance. £186k transferred to the Council Tax Premium reserve (after allowing for Council Tax refunds relating to properties transferring across to NNDR).
Leadership Group	6,958	6,938	20	See COVID-19 section below
<b>Total Controllable Budget</b>	<b>151,233</b>	<b>151,120</b>	<b>113</b>	
Council Tax Surplus			376	
<b>Final Outturn Position</b>			<b>489</b>	

	<b>Budget</b>	<b>Actuals</b>
	<b>£'000</b>	<b>£'000</b>
Financed by:		
Aggregate External Funding	107,646	107,646
Local Taxation	43,587	43,963
General Fund	0	(489)
	<u>151,233</u>	<u>151,120</u>

### **COVID-19 BUDGET PERFORMANCE**

Throughout the year, there have been a multitude of financial dynamics that the Finance & Procurement service has needed to actively manage. This has not only involved the ever changing COVID-19 impact, but also funding announcements made at the tail end of the financial year - with over £5m of funding being announced from early February through to the end of March. Gold command determined very early on that the cost of COVID-19 was to be dealt with on a corporate collective Council wide basis; hence most of the aspects being referenced under this section have been accounted for under the Leadership Group budget heading.

The following section summarises the position on the more significant of the specific COVID-19 aspects:

a) **Increased COVID-19 Costs and WG Emergency Hardship Fund**

WG's Emergency Hardship fund for Local Authorities as well as being a General fund also contains specific components including Adult Social Care, Free School Meals, Temporary Mortuaries and Homelessness. During 2020/21 monthly Hardship claims amounting to £8.4m in total were submitted to WG, with grant being receivable of £8.1m, equating to a 96% claim rate (this includes a £0.7m estimate for outstanding items still with WG). This combined with other ineligible costs means there is a net cost of £553k to the Council for the year.

In addition, WG have provided £354k to assist with increased Council Tax Reduction scheme costs, where gross expenditure has risen to £6.3m compared with £5.7m in 2019/20. (Note this budget is shown under Finance & Procurement).

b) **Lost Income in Services**

There has been a continued impact on a large number of Income streams across the Council with the more significant services affected being Car Parking, School Catering and Leisure. Following quarterly claims, WG have in total provided funding of £4.8m for Lost Income. In overall terms, this funding has covered the loss of income seen within Services.

c) **Financial Benefits**

Whilst the majority of COVID-19 related financial impacts are negative, there are certain budget headings with clear savings. The more significant of these budget headings have been treated corporately, with the savings being centralised through budget movements.

<b>Budget Heading</b>	<b>Saving £'000</b>
Officer / Member Travelling Costs	681
Utility Costs for partial / fully closed Council buildings	226
Office 365	45
Cash collection / Postage Costs / Bank Charges / Uniflow	21
Home to School Transport	454
Fuel Costs	149
	<b>1,576</b>

In addition, WG have provided non ring-fenced funding of £1.2m to recognise the impact of COVID-19 on savings delivery plans and also the digital transformation journey. Fees have also been received in relation to the implementation and management of various grant schemes totalling £0.5m.

d) Council Tax collection

The actual final collection rate for 2020/21 was 96.7%, which compares with 97.4% for 2019/20. As well as a lower in year collection rate, the impact of arrears is still seen in previous years' outstanding balances. Therefore whilst there has been an in year Council Tax Surplus (due mainly to a higher than assumed increase in the number of dwellings), the Council has needed to set aside an increase in the Provision for Bad debts. WG have provided funding of £575k to assist with this.

e) Personal Protective Equipment

Welsh Government donated significant amounts of Personal Protective Equipment (PPE) to the Council which was utilised by the Council and other third parties.

The final position in relation to the more specific and significant COVID-19 impacts is that, in overall terms, the Council has been able to manage the financial position within the resources available, due mainly to higher approval levels of grant claims and various additional and much welcomed funding announcements made by WG, particularly during the latter part of the year. As part of the Outturn position the benefit of the savings treated corporately and the impact of additional funding received has enabled contributions to be made to the Boosting the Economy reserve, the Finance (General) reserve and the Contingency (Inc COVID-19) reserve. The latter will provide added resilience moving forwards, given that we remain in uncertain times.

### **OTHER WG COVID-19 RELATED SCHEMES**

There are a range of national schemes that have needed to be operated at a local level. To date this has mainly been achieved through the redeployment of existing staff and the prioritisation of these schemes over and above other activities. The schemes have been fully funded by WG, see note 1.12 for further details.

### **SUMMARY**

2020/21 has almost certainly been the most unprecedented and unique year on record. The budget performance for 2020/21 has ultimately been very positive in

overall terms despite the challenges presented during the course of the year and the real concerns that existed during the early part of the year, when there was an initial lack of funding clarity. Whilst the COVID-19 funding position has at times been challenging, the Local Government voice has largely been heard by WG from a financial perspective, with considerable funding being forthcoming from WG and constructive dialogue with WG officials.

The Pyrth Through Age model is still part way through its development and transformation journey, which does mean the high-end Social Care budget areas are still likely to present budgetary challenges in the short term. The Outturn position has though enabled additional investment to be set aside to support the 4 Corporate Priorities, which is a significant step forward in being able to deliver against these. In addition Schools in general are in a resilient and robust financial position.

Nevertheless, the Council will face ongoing financial challenges moving forwards, particularly if Local Government settlements from WG do not improve considerably from the 2021/22 position and/or WG COVID-19 funding is curtailed too soon. However, despite the pandemic, the Council has managed to weather the storm thus far and remains financially resilient.

### **Financial Performance - Capital**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Approved Budget	19,121	18,583
Expendable Budget	17,737	16,429
Actual Expenditure	<u>13,814</u>	<u>13,679</u>
	<b><u>3,923</u></b>	<b><u>2,750</u></b>

**Approved Budget** – is the total Capital Programme budget approved by Cabinet/Council which includes a general grants line which is not an expendable budget. This is a mechanism for adding additional approved grant schemes within the year.

**Expendable Budget** – is the total of the approved schemes within the Capital Programme excluding the general grants line.

Capital expenditure:	<b>2020/21</b>
	<b>£'000</b>
Schools & Culture	2,607
Porth Cymorth Cynnar	289
Economic & Regeneration	1,399
Highways & Environmental Services	6,858
Porth Gofal	1,837
Customer Contact	139
Finance & Procurement	80
Covid19	628
Brought Forward Commitments	<u>(23)</u>
	<b><u>13,814</u></b>



Capital Expenditure Financing:	2020/21	2019/20
	£'000	£'000
General Capital Funding	1,754	2,729
Supported Borrowing	126	2,873
Developing Education in Ceredigion Reserves	94	0
Capital Receipts	0	244
Revenue/Reserve contributions - Including Corporate Capital Reserve	3	540
WG repayable Funding (HILS & H2H loans)	185	173
Grants	11,652	7,120
	<b>13,814</b>	<b>13,679</b>

### ***Borrowing Facilities***

The Council obtains the majority of its long term borrowing from the Public Works Loans Board. The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments. In addition to this, the Council is able to obtain market loans either direct with banks and building societies or through brokers. For short term borrowing needs the Council can raise temporary funding through the bank or the financial markets. See Note 1.24 for further information.

The Council is maintaining an under-borrowed position as it is using internal borrowing in lieu of external borrowing. Effectively the full capital borrowing need is a higher figure than the Council's actual external loan debt. The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance of need will be within the approved Capital Financing Requirement estimates (one of the Prudential Indicators) and will be carefully considered to ensure that value for money can be demonstrated, that the Council can ensure the security of such funds and can afford the short term 'cost of carry'.

There are limited options for PWLB to PWLB debt rescheduling in the current climate. It is also unlikely that the Council will be in position to repay prematurely any further debt outright, unless it is part of debt rescheduling. However should any restructuring opportunities arise they would be carefully considered.

### ***Retirement Benefits***

The Council must state the cost of paying retirement pensions when it becomes committed to the costs, not when the pension payments are actually paid. The Statements fully reflect the net liability of the Pension Fund. The Balance Sheet includes a net liability of £160,825k in 2020/21 (£154,386K in 2019/20). See Note 1.37 for further information. The Pension Fund's actuary has calculated this estimated cost of providing retirement benefits by comparing the current market value of the Council's share of the pension fund assets with the current value of liabilities. This figure will vary each year depending on the actuary's assumptions on how the funds' investments have performed and the discount rates applied under the accounting standard. This liability continues to be managed on our behalf by the Pension Fund's Administering Authority.

### ***ACCOUNTING STATEMENTS***

This Statement of Accounts has been provided to give electors, local taxpayers, Members of the Council and other interested parties information about the

Council's financial position. It provides a summary of the financial position as at 31st March 2021 and includes a number of accounting statements, which show the range and scale in financial terms, of the Council's services and activities. The various services of the Council have co-operated by maintaining adequate accounting records, exercising budgetary control and providing relevant documents. This document has been prepared to meet the requirements of the Public Audit (Wales) Act 2004 (and as further specified in the Accounts and Audit (Wales) Regulations 2014) and fully reflects the Code of Practice on Authority Accounting in the United Kingdom 2020/21 requirements for accounting statements.

## **CORE FINANCIAL STATEMENTS**

The Statement of Accounts comprises a number of Accounting Statements and the following notes are provided to explain their purpose.

### Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It 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.

### 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. Councils raise council tax 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.

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce council tax) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets

less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Usable Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves, i.e. those that the Council 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 difference as shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### Cash Flow Statement

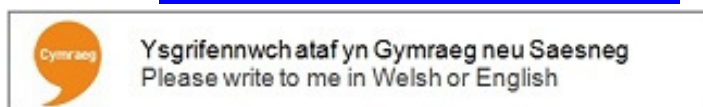
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

### **Further Information**

Interested persons have a statutory right to inspect the Accounts before the annual audit is completed. Anyone wishing further information or explanation on the Accounts should contact:

#### **Finance and Procurement**

**E-mail: [df.technicians@ceredigion.gov.uk](mailto:df.technicians@ceredigion.gov.uk)**



**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****THE COUNCIL'S RESPONSIBILITIES**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Lead Officer: Finance & Procurement.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.



Chair of the Council

25 November 2021

**THE RESPONSIBILITIES OF THE CORPORATE LEAD OFFICER – FINANCE & PROCUREMENT**

The Corporate Lead Officer: Finance & Procurement is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code').

In preparing this Statement of Accounts, the Corporate Lead Officer: Finance & Procurement has:

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

The Corporate Lead Officer: Finance & Procurement has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2021.



Corporate Lead Officer: Finance & Procurement

25 November 2021

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

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements**

I have audited the financial statements of Ceredigion County Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Ceredigion County 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Ceredigion County Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of 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.

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

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going

concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Report on other requirements**

#### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the 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 nor the Governance Statement.

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;

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

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 19, 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.

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

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and biases in accounting estimates.
- obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Ceredigion County Council.

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

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

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

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

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



**Certificate of completion of audit**

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



**Adrian Crompton**

**Auditor General for Wales**

**29 November 2021**

**24 Cathedral Road**

**Cardiff**

**CF11 9LJ**

**Electronic publication of financial statements**

The maintenance and integrity of Ceredigion County Council's website is the responsibility of Ceredigion County Council; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**EXPENDITURE AND FUNDING ANALYSIS 2020/2021**

	Outturn £'000	Transfers (to)/from Earmarked Reserves (Note 1.8) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding & Accounting Basis (Note 1.1 & 1.7) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Schools & Culture	48,861	(4,962)	<b>43,899</b>	7,697	<b>51,596</b>
Porth Cymorth Cynnar	3,158	(351)	<b>2,807</b>	1,643	<b>4,450</b>
Finance & Procurement	20,858	(1,664)	<b>19,194</b>	(6,787)	<b>12,407</b>
Democratic Services	3,957	0	<b>3,957</b>	477	<b>4,434</b>
People & Organisation	2,007	0	<b>2,007</b>	256	<b>2,263</b>
Porth Cynnal	21,950	1,301	<b>23,251</b>	619	<b>23,870</b>
Porth Gofal	10,236	(1,067)	<b>9,169</b>	1,627	<b>10,796</b>
Policy, Performance & Public Protection	2,178	0	<b>2,178</b>	193	<b>2,371</b>
Highways & Environmental	16,305	(2,663)	<b>13,642</b>	4,671	<b>18,313</b>
Economy & Regeneration	3,276	(400)	<b>2,876</b>	1,687	<b>4,563</b>
Customer Contact	5,445	0	<b>5,445</b>	789	<b>6,234</b>
Legal & Governance	1,476	0	<b>1,476</b>	130	<b>1,606</b>
Leadership Group	6,938	(6,416)	<b>522</b>	89	<b>611</b>
Levies, Council Tax Premium & Reserves	4,475	(186)	<b>4,289</b>	(4,289)	<b>0</b>
<b>NET COST OF SERVICES</b>	<b>151,120</b>	<b>(16,408)</b>	<b>134,712</b>	<b>8,802</b>	<b>143,514</b>
<b>Other Income and Expenditure</b>	<b>(151,609)</b>	<b>0</b>	<b>(151,609)</b>	<b>2,164</b>	<b>(149,445)</b>
<b>(Surplus) or Deficit</b>	<b>(489)</b>	<b>(16,408)</b>	<b>(16,897)</b>	<b>10,966</b>	<b>(5,931)</b>
<b>General Fund Opening Balance</b>	<b>(5,563)</b>	<b>(22,125)</b>	<b>(27,688)</b>		
<b>(Surplus) or Deficit</b>	<b>(489)</b>	<b>(16,408)</b>	<b>(16,897)</b>		
<b>General Fund Closing Balance</b>	<b>(6,052)</b>	<b>(38,533)</b>	<b>(44,585)</b>		

**EXPENDITURE AND FUNDING ANALYSIS 2019/2020**

	Outturn £'000	Transfers (to)/from Earmarked Reserves (Note 1.8) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding & Accounting Basis (Note 1.1 & 1.7) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Schools	48,540	(102)	48,438	5,790	54,228
Lifelong Learning & Culture	2,254	26	2,280	1,679	3,959
Finance & Procurement	18,444	(384)	18,060	(4,728)	13,332
Democratic Services	3,826	30	3,856	634	4,490
People & Organisation	1,921	0	1,921	233	2,154
Children Services	6,759	34	6,793	654	7,447
Adult Services	27,238	(222)	27,016	3,678	30,694
Policy & Performance	1,748	0	1,748	333	2,081
Highways & Environmental Services	16,228	109	16,337	4,244	20,581
Economy & Regeneration	3,341	61	3,402	2,728	6,130
Customer Contact	5,051	0	5,051	715	5,766
Legal & Governance	1,314	18	1,332	91	1,423
Leadership Group	3,108	(3,100)	8	(61)	(53)
Levies, Council Tax Premium & Reserves	4,512	28	4,540	(4,540)	0
<b>NET COST OF SERVICES</b>	<b>144,284</b>	<b>(3,502)</b>	<b>140,782</b>	<b>11,450</b>	<b>152,232</b>
<b>Other Income and Expenditure</b>	<b>(144,278)</b>	<b>0</b>	<b>(144,278)</b>	<b>2,102</b>	<b>(142,176)</b>
<b>(Surplus) or Deficit</b>	<b>6</b>	<b>(3,502)</b>	<b>(3,496)</b>	<b>13,552</b>	<b>10,056</b>
<b>General Fund Opening Balance</b>	<b>(5,569)</b>	<b>(18,623)</b>	<b>(24,192)</b>		
<b>(Surplus) or Deficit</b>	<b>6</b>	<b>(3,502)</b>	<b>(3,496)</b>		
<b>General Fund Closing Balance</b>	<b>(5,563)</b>	<b>(22,125)</b>	<b>(27,688)</b>		

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

	Note	2020/2021		Net Exp £'000
		Gross Exp £'000	Gross Inc £'000	
Schools & Culture		74,084	22,488	51,596
Porth Cymorth Cynnar		9,753	5,303	4,450
Finance & Procurement		28,781	16,374	12,407
Democratic Services		4,482	48	4,434
People & Organisation		3,346	1,083	2,263
Porth Cynnal		36,508	12,638	23,870
Porth Gofal		20,902	10,106	10,796
Policy, Performance & Public Protection		4,066	1,695	2,371
Highways & Environmental		26,595	8,282	18,313
Economy & Regeneration		8,011	3,448	4,563
Customer Contact		6,899	665	6,234
Legal & Governance		1,675	69	1,606
Leadership Group		12,282	11,671	611
<b>COST OF SERVICES</b>		<b>237,384</b>	<b>93,870</b>	<b>143,514</b>
Other operating expenditure	1.9	13,338	0	13,338
Financing and investment income and expenditure	1.10	10,090	826	9,264
Taxation and non-specific grant income	1.11	0	172,047	(172,047)
<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>		<b>260,812</b>	<b>266,743</b>	<b>(5,931)</b>
(Surplus) or deficit on revaluation of Fixed Assets	1.27			1,077
Remeasurement of the net defined benefit liability (asset)	1.37			(6,276)
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(5,199)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(11,130)</b>

Lifelong Learning and Culture, Adult Services and Children's Services formed part of the Councils structure for 2019/20. However for 2020/21 these Services were replaced with Porth Cymorth Cynnar, Porth Gofal and Porth Cynnal. As a result a direct comparison between the Comprehensive Income and Expenditure Statements for 2020/21 and 2019/20 years cannot be made.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

	Note	2019/2020		Net Exp £'000
		Gross Exp £'000	Gross Inc £'000	
		Schools	73,677	
Lifelong Learning and Culture	7,037	3,078	3,959	
Finance & Procurement	30,337	17,005	13,332	
Democratic Services	4,770	280	4,490	
People & Organisation	3,225	1,071	2,154	
Children Services	10,503	3,056	7,447	
Adult Services	51,006	20,312	30,694	
Policy & Performance	2,916	835	2,081	
Highways & Environmental Services	27,313	6,732	20,581	
Economy & Regeneration	9,041	2,911	6,130	
Customer Contact	6,612	846	5,766	
Legal & Governance	1,497	74	1,423	
Leadership Group	1,016	1,069	(53)	
<b>COST OF SERVICES</b>		<b>228,950</b>	<b>76,718</b>	<b>152,232</b>
Other operating expenditure	1.9	12,517	0	12,517
Financing and investment income and expenditure	1.10	8,457	1,123	7,334
Taxation and non-specific grant income	1.11	0	162,027	(162,027)
<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>		<b>249,924</b>	<b>239,868</b>	<b>10,056</b>
(Surplus) or deficit on revaluation of Fixed Assets	1.27			(40,493)
Remeasurement of the net defined benefit liability (asset)	1.37			23,809
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(16,684)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(6,628)</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked Reserves	TOTAL	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2020/21</b>									
<b>Balance at 31/03/20</b>		(5,563)	(22,125)	(27,688)	(5,990)	(954)	(34,632)	(107,221)	(141,853)
(Surplus) or deficit on provision of services		(5,931)	0	(5,931)	0	0	(5,931)	0	(5,931)
Other Comprehensive Expenditure & Income		0	0	0	0	0	0	(5,199)	(5,199)
<b>Total Comprehensive Expenditure &amp; Income</b>		(5,931)	0	(5,931)	0	0	(5,931)	(5,199)	(11,130)
Adjustments between accounting basis & funding basis under regulations	1.7	(10,966)	0	(10,966)	(341)	(849)	(12,156)	12,156	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		(16,897)	0	(16,897)	(341)	(849)	(18,087)	6,957	(11,130)
Transfers to/from Earmarked Reserves	1.8	16,408	(16,408)	0	0	0	0	0	0
<b>(Increase)/Decrease Balance at 31/03/21</b>		(489)	(16,408)	(16,897)	(341)	(849)	(18,087)	6,957	(11,130)
		(6,052)	(38,533)	(44,585)	(6,331)	(1,803)	(52,719)	(100,264)	(152,983)
<b>2019/20</b>									
<b>Balance at 31/03/19</b>		(5,569)	(18,623)	(24,192)	(5,881)	(1,157)	(31,230)	(103,995)	(135,225)
(Surplus) or deficit on provision of services		10,056	0	10,056	0	0	10,056	0	10,056
Other Comprehensive Expenditure & Income		0	0	0	0	0	0	(16,684)	(16,684)
<b>Total Comprehensive Expenditure &amp; Income</b>		10,056	0	10,056	0	0	10,056	(16,684)	(6,628)
Adjustments between accounting basis & funding basis under regulations	1.7	(13,552)	0	(13,552)	(109)	203	(13,458)	13,458	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		(3,496)	0	(3,496)	(109)	203	(3,402)	(3,226)	(6,628)
Transfers to/from Earmarked Reserves	1.8	3,502	(3,502)	0	0	0	0	0	0
<b>(Increase)/Decrease Balance at 31/03/20</b>		6	(3,502)	(3,496)	(109)	203	(3,402)	(3,226)	(6,628)
		(5,563)	(22,125)	(27,688)	(5,990)	(954)	(34,632)	(107,221)	(141,853)

**BALANCE SHEET**

	Note	£'000	31/03/21 £'000	31/03/20 £'000
<b><u>ASSETS</u></b>				
Property, Plant and Equipment	1.13	378,894		381,055
Investment Property	1.14	16,912		17,570
Heritage Assets	1.15	3,220		3,131
Long Term Debtors	1.17	3,526		2,722
<b>LONG TERM ASSETS</b>			<b>402,552</b>	<b>404,478</b>
Short Term Investments	1.19	4,003		6,032
Assets Held for Sale		120		740
Inventories	1.18	1,473		545
Short Term Debtors	1.21	30,685		22,036
Cash and Cash Equivalents	1.22	22,695		15,735
<b>CURRENT ASSETS</b>			<b>58,976</b>	<b>45,088</b>
<b>TOTAL ASSETS</b>			<b>461,528</b>	<b>449,566</b>
<b><u>LIABILITIES</u></b>				
Short Term Borrowing	1.24	(1,084)		(6,264)
Short Term Creditors	1.23	(22,667)		(22,884)
Short Term Provisions		(24)		(24)
Donated Inventories Account	1.18	(1,066)		0
<b>CURRENT LIABILITIES</b>			<b>(24,841)</b>	<b>(29,172)</b>
Long Term Creditors		(817)		(374)
Long Term Borrowing	1.24	(115,872)		(116,877)
Other Long Term Liabilities	1.25	(166,649)		(160,488)
Capital Grants Receipts in Advance		(366)		(802)
<b>LONG TERM LIABILITIES</b>			<b>(283,704)</b>	<b>(278,541)</b>
<b>TOTAL LIABILITIES</b>			<b>(308,545)</b>	<b>(307,713)</b>
<b>NET ASSETS</b>			<b>152,983</b>	<b>141,853</b>
Usable Reserves	1.26	(52,719)		(34,632)
Unusable Reserves	1.27	(100,264)		(107,221)
<b>TOTAL RESERVES</b>			<b>(152,983)</b>	<b>(141,853)</b>

**CASH FLOW STATEMENT**

	Note	2020/21 £'000	2019/20 £'000
<b>OPERATING ACTIVITIES</b>			
<b>Net Surplus/(Deficit) on the Provision of Services</b>		<b>5,931</b>	<b>(10,056)</b>
<b>Non cash transactions</b>			
Depreciation and Impairment		12,256	10,007
Capital Grants		(10,975)	(8,778)
Pension Fund adjustments		12,715	13,842
		<u>19,927</u>	<u>5,015</u>
<b>Adjustments for items reported separately on Cashflow</b>			
(Gain)/Loss on the disposal of Fixed Assets		23	192
<b>Items on an accrual basis</b>			
(Increase)/decrease in Inventories		138	(43)
(Increase)/decrease in Debtors		(8,864)	(3,766)
Increase/(decrease) in Creditors		558	830
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	1.28	<b><u>11,782</u></b>	<b><u>2,228</u></b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets		(9,851)	(10,142)
Other Capital cash payments		<u>(536)</u>	<u>(588)</u>
		(10,387)	(10,730)
<b>Cash Inflows</b>			
Sale of fixed assets		254	937
Capital grants received		8,583	7,993
Proceeds from long term investments		9	0
Proceeds from short term investments		1,997	2,993
Other Capital Cash Receipts		<u>1,082</u>	<u>680</u>
		11,925	12,603
<b>Net Cash Flows from Investing Activities</b>		<b><u>1,538</u></b>	<b><u>1,873</u></b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Repayment of short term and long term borrowing		(6,162)	(1,508)
Payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts		<u>(278)</u>	<u>(412)</u>
		(6,440)	(1,920)
<b>Cash Inflows</b>			
New Loans Raised		80	3,800
<b>Net Cash Flows from Financing Activities</b>		<b><u>(6,360)</u></b>	<b><u>1,880</u></b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b><u>6,960</u></b>	<b><u>5,981</u></b>
<b>Cash and Cash Equivalents at beginning of the year</b>		<b>15,735</b>	<b>9,754</b>
<b>Cash and Cash Equivalents at end of the year</b>	1.22	<b>22,695</b>	<b>15,735</b>



## NOTES TO THE STATEMENT OF ACCOUNTS

## 1.1 NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/21	Adjustments for Capital Purposes (Note A) £'000	Net change for Pensions (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
Schools & Culture	5,786	2,228	(317)	7,697
Porth Cymorth Cynnar	802	739	102	1,643
Finance & Procurement	143	379	(7,309)	(6,787)
Democratic Services	21	486	(30)	477
People & Organisation	0	250	6	256
Porth Cynnal	4	662	(47)	619
Porth Gofal	355	1,278	(6)	1,627
Policy, Performance & Public Protection	8	412	(227)	193
Highways & Environmental Services	3,482	1,103	86	4,671
Economy & Regeneration	153	648	886	1,687
Customer Contact	137	592	60	789
Legal & Governance	0	116	14	130
Leadership Group	27	203	(141)	89
Levies, Council Tax Premium & Reserves	0	0	(4,289)	(4,289)
<b>NET COST OF SERVICES</b>	<b>10,918</b>	<b>9,096</b>	<b>(11,212)</b>	<b>8,802</b>
<b>Other Income and Expenditure</b>	<b>(10,978)</b>	<b>3,619</b>	<b>9,143</b>	<b>1,784</b>
<b>Difference between General Fund surplus or deficit plus Earmarked Reserves and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(60)</b>	<b>12,715</b>	<b>(2,069)</b>	<b>10,586</b>

**NOTE A – Adjustments for Capital Purposes**

This column adjusts for depreciation, impairment, revaluation gains and losses, gains and losses on disposal of assets, capital grants and capital expenditure funded from revenue.

**NOTE B - Net Change for Pensions Adjustments**

This column shows the adjustments required to comply with IAS19 Employee Benefits - specifically the removal of pension contributions made by the Council as allowed by statute, the replacement with current service costs and past service costs as calculated by the actuary, and the net interests on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

**NOTE C - Other Differences**

This column includes other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include adjustments to realign expenditure and income in accordance with the code and adjustments for the Accumulated Absences accrual.

2019/20	Adjustments for Capital Purposes (Note A) £'000	Net change for Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
Schools	3,226	2,206	358	5,790
Lifelong Learning & Culture	1,117	522	40	1,679
Finance & Procurement	243	2,634	(7,605)	(4,728)
Democratic Services	4	463	167	634
People & Organisation	0	235	(2)	233
Children Services	43	622	(11)	654
Adult Services	2,280	1,581	(183)	3,678
Policy & Performance	8	285	40	333
Highways & Environmental Services	3,140	1,162	(58)	4,244
Economy & Regeneration	1,203	637	888	2,728
Customer Contact	142	583	(10)	715
Legal & Governance	0	108	(17)	91
Leadership Group	47	96	(204)	(61)
Levies, Council Tax Premium & Reserves	(489)	0	(4,051)	(4,540)
<b>NET COST OF SERVICES</b>	<b>10,964</b>	<b>11,134</b>	<b>(10,648)</b>	<b>11,450</b>
<b>Other Income and Expenditure</b>	<b>(9,579)</b>	<b>2,708</b>	<b>8,973</b>	<b>2,102</b>
<b>Difference between General Fund surplus or deficit plus Earmarked Reserves and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>1,385</b>	<b>13,842</b>	<b>(1,675)</b>	<b>13,552</b>

## 1.2 ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31<sup>st</sup> March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, and those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21*, 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.

### ii. 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 revenue 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.

The only exception to this are some regular payments where the revenue accounts are charged with the number of payments in the year. This policy is consistently applied each year and does not have a material effect on the year's Accounts.

### **iii. 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. Cash and cash equivalents are shown net of bank overdrafts.

### **iv. Exceptional Items**

When items of income and expenditure 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 Council's financial performance. Transactions relating to COVID19 will be included in the notes to the accounts.

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

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

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

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

#### **vi. Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding 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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the minimum revenue provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account (which is included in Unusable Reserves) in the Movement in Reserves Statement for the difference between the two.

#### **vii. 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, salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and flexi leave 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 accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence earned.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance or redundancy. Such amounts are charged on an accruals basis to Surplus or Deficit on the Provision of Service when the Council is demonstrably committed to the termination of the employment

of an officer, or group of officers, or making an offer to encourage voluntary severance or redundancy.

### **Post Employment Benefits**

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) for the Westminster Government.
- The Local Government Pension Scheme, administered by Carmarthenshire County Council (and referred to as the Dyfed Pension Fund).

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council. However, arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

### The Local Government Pension Scheme

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

- Liabilities and service costs of the Dyfed Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. The objective under this method is to expense each participant's benefits under the fund as they would accrue, taking into account future compensation increases and the fund's benefit allocation formula. Thus the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.
- The Benefit obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the service cost is the total present value of the individuals' benefits attributable to service during the year.
- Liabilities are discounted to their value at current prices, using a discounted rate of 2.4%.
- The assets of the Dyfed Pension Fund attributable to the Council 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 the following components:
  - Service cost comprising:
    - 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 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 the Finance Service
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the Dyfed Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **viii. 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 are not reflected in the Statement of Accounts.

**ix. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- in the principal market for the asset
- in the absence of a principal market, in the most advantageous market for the asset (highest and best use)

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets or liabilities for which fair value is measured or disclosed in the accounts are categorised within the fair value hierarchy, as follows:

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

**x. Financial Instruments****Financial Liabilities**

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. Where premiums or discounts are incurred that formally meet the terms of a debt restructuring exercise, they are accounted for as an adjustment to the carrying amount of the replacement loan or loans. If they do not meet these terms, they are spread over the longer of the outstanding term on the replaced loan or the term of the replacement loan (premiums) or the outstanding term on the replaced loan up to a maximum of ten years (discounts). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The fair value calculations have been based on the comparable new borrowing rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

### **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; and
- Fair value through other comprehensive income

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 the 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 Comprehensive Income and Expenditure Statement 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 instruments 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council recognises expected credit losses on its financial assets held at amortised cost. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



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

#### **xi. Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired 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 General 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.

#### **xii. Heritage Assets**

The Council's Heritage Assets are primarily held to preserve items which were common in the district or were unique to it or relate to a significant historical event or person with local connections. They are held in a variety of locations across the county, but most remain in the main Coliseum Museum in Aberystwyth. They are generally held in accordance with the Council's accounting policies on Property, Plant and Equipment but some rules are relaxed in relation to specific assets for reasons described below.

##### Art Collection

The Council has approximately 190 pieces of art, both contemporary and historic, spread throughout its museums, council offices and leisure centres across Ceredigion. Most are of relatively insignificant value, well below the de minimis value of £10,000 applied for entry onto the Council's asset register. However four were specifically identified as being potentially above this value and have been valued by an appropriately qualified External Valuer in 2011 and included in the Balance Sheet. These valuations were for insurance purposes at market value and the condition of the items has not changed since this valuation. These are

presumed to have an indeterminate life and thus it is not considered appropriate to apply depreciation.

#### Civic Regalia

The Council has four official chains of office held for the Chairman, Vice-Chairman and their consorts. Only the Chairman's Chain is considered to be worth more than the de minimis level, based on the market values of the metals used in their composition. It has therefore been valued and is included in the Balance Sheet at this amount. It will not be depreciated as it has an indeterminate life, but will periodically be considered for revaluation based on the market price of precious metals.

#### Historic Sites and Buildings

The Council owns and is responsible for the preservation and display of a number of historic sites and buildings throughout Ceredigion, including two castles. As there is no reliable way of valuing such items, due to the lack of a contemporary market, they are held in the balance sheet at historic cost.

#### Miscellaneous Exhibits

The Council's main museum at The Coliseum, Aberystwyth contains a large number of exhibits. However, because of low estimated values of each individual item and the lack of a contemporary market for many of the items, the Council considers the costs of a valuation exercise would considerably exceed the value of such a process to the users of the accounts and therefore no such exercise has taken place.

There are also thirteen large and/or potentially valuable items at the museum which have been valued for insurance purposes. Although individually the values are less than the £10,000 de minimis level they are significant in total, so have been added to the register and balance sheet as a single item. They will be treated in the same manner as the artworks and not depreciated. If the council makes any significant new purchase it will be added at cost until the next valuation takes place.

#### Museum Sites and Buildings

The Council's main Coliseum Museum in Aberystwyth has been extended into an adjacent vacant property. Expenditure on this project has been capitalised and added to the value of the museum. In addition to the main museum in Aberystwyth, the Council holds a number of subsidiary museums throughout the region. Consideration has been given to whether any of these should be held as Heritage Assets as opposed to Property, Plant and Equipment. It has been determined that two of them (including the Coliseum) are being held for their own historic significance, in addition to being used for displaying or holding exhibits. They have therefore been transferred to the Heritage Asset category on the Balance Sheet, continuing on the valuation basis they were on previously (Historic or Depreciated Replacement Cost). Depreciation is charged if considered appropriate, considering the individual circumstances of the building concerned.

#### Heritage Assets General

If there is any evidence of impairment then the carrying amounts of the balance sheet will be reviewed, although it is expected such events will be rare. Any such impairment will be treated in a similar way to impairment on Property, Plant and

Equipment assets. If any disposals are made they will also be accounted for in the same manner as Property, Plant and Equipment but disposal proceeds will be identified separately in the notes. There were no disposals in the period under consideration for this set of accounts and it is not expected they will be a common event as the collection is fairly static in nature.

#### **xiii. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

#### **xiv. 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 General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General 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.

#### **xv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council 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 Council 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 plant, property or equipment that are jointly controlled by the Council 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 Council 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 in the venture.

#### **xvi. 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.

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 Council 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. Initial direct costs of the Council 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
- 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 Council at the end of the lease period).

The Council 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 General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account (which is included in Unusable Reserves) 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 benefitting 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 Council as Lessor****Finance Leases**

Where the Council 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 Council'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 General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the General 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 under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account (which is included in Unusable Reserves) from the General Fund Balance in the Movement in Reserves Statement.

**Operating Leases**

Where the Council 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.

**xvii. Long Term Contracts**

Amounts due under long term contracts are charged to revenue as they fall due under the terms of the contract.

**xviii. Minimum Revenue Provision (MRP)**

The Council's Minimum Revenue Provision (MRP) Policy follows the principles of the guidance issued by the Welsh Assembly Government under section 21(1A) of the Local Government Act 2003 through using one of the options outlined in the guidance, combined with introducing a further option that is underpinned by the principle of prudent provision.

The major proportion of the MRP continues to relate to the historic debt liability that existed pre 2008 or post 2008 where it relates to Supported Borrowing funded by the Welsh Assembly Government. The MRP liability on the Council's Capital Financing Requirement that relates to pre 2008 debt and post 2008 Supported Borrowing funded through the Revenue Support Grant (RSG) system will be provided for through equal annual instalments over a 50 year period (i.e. 2% straight line approach) commencing from 1st April 2015. This period has been selected to match the average lives of Council Assets not specifically financed by Unsupported Borrowing after 1st April 2008. Expenditure that was financed by such Unsupported Borrowing has been subject to MRP under option 3, which is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the annuity method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

The Council continues the principle of not charging MRP on any temporary unsupported (Prudential) borrowing. At present, only Welsh Government repayable funding for Housing Improvements and Empty Properties are treated in this manner.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

According to the Code, assets held under PFI schemes and finance leases are subject to MRP in the same way as assets acquired using other forms of borrowing. Under regulations and statutory guidance, these charges can match the repayment of the liability. The increase in the MRP due to the finance lease assets has therefore been charged at the same rate as the write down of the corresponding liability on the balance sheet so that there will be no overall impact on the General Fund Balances of the Council. The MRP due to the Ysgol Gyfun Penweddig PFI assets, which was historically treated on a similar basis to finance lease assets, was delinked in 2017/18 and will be written down over the remaining lifespan of the Ysgol Gyfun Penweddig buildings instead

**xix. Overheads and Support Services**

The Comprehensive Income and Expenditure Statement is prepared on a Service basis in line with the Council's in-year reporting. As such, the recharging of overhead and support services costs are excluded from the Comprehensive Income and Expenditure Statement.

**xx. Property, Plant and Equipment**

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

Voluntary Controlled and Voluntary Aided School buildings are not included on the Balance Sheet as they are not Council assets.

If any material part of a building has a significantly shorter lifespan than the main structure and the value of that part is more than £10,000, then it is considered a component to be separately identified on the Council's asset register. Any such components identified within the new capital expenditure are valued separately when initially added to the asset register (or when the asset is transferred out of Assets under Construction for newly constructed buildings).

Recognition – Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. A de-minimis rule for capital has been applied – generally no capital expenditure valued at under £10k is included within capital spend. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is not added to fixed assets in the Balance Sheet but is charged as an expense as it is incurred. This entry is then reversed out to the Capital Adjustment Account to ensure there is no impact on Council Tax Levels.

Measurement – Assets are initially measured at cost, comprising:

- a) the purchase price
- b) 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
- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

The costs of assets 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 Council). 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 Council.

Assets are then carried in the balance sheet using the following measurement basis:

- Vehicles, Plant, Furniture and Equipment and Infrastructure Assets – Depreciated Historical Cost
- Assets under construction, Community Assets and some Heritage Assets – Historical Cost
- Assets Held for Sale – Lower of Carrying Amount and Fair value less costs to sell
- All other assets – Fair value, determined by Market Value

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

Where non-property assets that 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 consist mostly of Other Land and Buildings and this category is split into five subcategories. Each subcategory as a whole is revalued every five years. The current timetable for asset revaluations is given below:

<b>2021/22</b>	Social Services Buildings
<b>2022/23</b>	Miscellaneous Land Assets and Car Parks
<b>2023/24</b>	Public Buildings (Leisure Centres, Public Conveniences, Theatres & Swimming pools), Heritage Assets (where held at Fair Value)
<b>2024/25</b>	Educational Buildings (Primary, Secondary & all-through schools, Youth Clubs & Referral Units)
<b>2025/26</b>	Offices and other Operational Buildings

Surplus Assets are considered for revaluation based on when it is five years from their last revaluation, so it will be dependent on which of the categories they were transferred into Surplus from.

Further revaluations may take place between the scheduled investigations where the Valuers deem there have been material changes in the value of the relevant asset or assets.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the 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 as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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 has 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, Heritage Assets and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – Straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – Straight line depreciation of the historic cost over the remaining expected life of the asset. Vehicles are given a residual value of 10% of the initial purchase price to reflect their potential resale value
- Infrastructure – Straight line depreciation of historic cost over the remaining expected life of the asset

Acquisitions and disposals of fixed assets are added to the asset register as at their date of purchase or sale in the relevant accounting year and are therefore depreciated in the usual manner for the year from that date if they are in a category which is normally depreciable.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant (more than £10,000) and whose lifespan is materially different to the host asset, the components are depreciated separately according to the differing estimated lives.

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 – 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 will in most cases be reclassified as an Asset Held for Sale. In order for this category transfer to take place, the asset must meet the following criteria:

- It must be available for sale in its current condition and subject to normal terms of sale
- The decision to make the sale must have been made at the appropriate level of management
- The asset must be actively marketed at an appropriate price
- The sale must be expected to be completed within one year

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 previous losses recognised 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 no longer in use that fail to meet all of the above criteria or are to be abandoned or scrapped are normally reclassified as Surplus Assets, unless the Council is not actively marketing the property because it is waiting for prices in the market to rise, in which case the asset might be categorised as an Investment Property. Surplus Assets are depreciated in a normal fashion, however the depreciation is charged to non-distributed costs and not the original service account as the asset is no longer in use.

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

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

#### **xxi. Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibilities 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 schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Ysgol Gyfun Penweddig PFI scheme, the liability was written down by an initial capital contribution of £12,027,000.

Long term assets 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 of 4.5% 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 (the profile for write downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of amounts payable is recognised as an enhancement to and a corresponding impairment of the Penweddig School asset in Property, Plant and Equipment when the relevant works are eventually carried out. It will have no net effect on the Balance Sheet.

#### **xxii. Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions included in the accounts may not be legally enforceable and may only be inferred from a set of facts in a particular situation therefore the inclusion of them in the accounts does not mean that liability has been accepted.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council

becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. They include situations when legal proceedings and other claims covering a range of matters are pending. They concern difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome.

### **Contingent Assets**

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

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

### **xxiii. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General 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 General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current fixed assets, financial instruments, retirement and employee benefits and do not

represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **xxiv. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

#### **xxv. Value Added Tax (VAT)**

The Accounts have been prepared on a VAT exclusive basis, to the extent that it is recoverable.

### **1.3 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The changes that are introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

It is not anticipated that these amendments will have a material impact on the accounts.

### **1.4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

#### **Future levels of funding**

There is a high degree of uncertainty about future levels of funding for local government with continued one year only settlements at both Westminster and Welsh Government level.

#### **Voluntary Controlled and Voluntary Aided Schools**

Voluntary Controlled and Voluntary Aided school buildings remain off the Balance Sheet as it has been confirmed that they are not Council assets.

#### **Brexit**

A UK/EU Trade and Cooperation Agreement was reached on 24 December 2020 which was ratified by the UK Parliament ahead of new arrangements with the EU. Leaving the EU with a deal has reduced the risk and uncertainty to Ceredigion, although the Trade and Cooperation Agreement is still causing some disruption. The Council is monitoring the impact.

**COVID-19**

The future impact on both service delivery and response activity of the COVID-19 pandemic, as well as the uncertainty of continued financial support from Welsh Government through the Local Authority Hardship fund.

**Corporate Joint Committees**

Possible changes to future governance arrangements brought about by the introduction of Corporate Joint Committees.

**1.5 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 Council 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 different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of adjustment in following financial years are:

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by Carmarthenshire County Council as the lead Pension Authority to ensure that the Council receives expert advice about the assumptions to be applied.

**Property Valuations**

The reporting of valuations as at 31st March 2020 in accordance with RICS guidance due to the outbreak of COVID-19 concluded that the statement of accounts were reported with "material valuation uncertainty"

Although vaccination programmes are in place and restrictions are being eased at time of writing, COVID-19 variants are still being discovered which still causes some concern. However, with the easing of restrictions and general retail trading recommencing, the market is showing signs of improvement. Although the market remains weak there are transactions in the market which provides evidence to be able to base opinions of value.

Consequently, the valuation for 2020/21 is not reported as being subject to "material valuation uncertainty" due to COVID-19.

**Impairment Allowance**

It is difficult to estimate with certainty the level of impairment allowance required for the various types of debt.

**1.6 EXPENDITURE AND INCOME ANALYSED BY NATURE**

The Council's expenditure and income is analysed as follows:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Controllable Expenditure</b>		
Employees	100,418	97,440
Premises	8,912	8,182
Transport	8,772	10,618
Supplies and Services	116,808	108,270
<b>Total Expenditure</b>	<b><u>234,910</u></b>	<b><u>224,510</u></b>
<b>Controllable Income</b>		
Grants	67,211	47,822
Other Income	31,370	34,244
Contract Services/Schools	1,617	1,662
<b>Total Income</b>	<b><u>100,198</u></b>	<b><u>83,728</u></b>
<b>Controllable Before Reserves</b>	<b>134,712</b>	<b>140,782</b>
Revenue Expenditure Funded from Capital under Statute	309	2,019
IAS19 <i>Employee Benefits</i> adjustments	12,715	13,842
Accumulated Absences	172	507
Depreciation, amortisation and impairment	12,256	10,007
(Gain)/Loss on disposal of assets	(414)	(505)
Capital Expenditure charged to the General Fund	(96)	(540)
Other capital accounting adjustments	(3,000)	(3,001)
Precepts	9,462	8,972
Taxation and non-specific grant income	(172,047)	(162,027)
<b>(Surplus) or Deficit on Provision of Services</b>	<b><u>(5,931)</u></b>	<b><u>10,056</u></b>

**1.7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2020/2021

## Usable Reserves

	General Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</u>				
Charges for depreciation and impairment of non-current assets	11,759			(11,759)
Revaluation losses/gains on Property, Plant & Equipment	(214)			214
Movement in the fair value of Investment Properties	710			(710)
Capital grants and contributions applied	(9,734)			9,734
Revenue expenditure funded from capital under statute	310			(310)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal on the Comprehensive I&E Statement	277			(277)
<u>Insertion of items not debited or credited on the Comprehensive I&amp;E Statement:</u>				
Statutory provision for the financing of capital investment	(3,016)			3,016
Capital expenditure charged against the General Fund	(97)			97
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(1,241)		1,241	
Application of grants to capital financing transferred to the Capital Adjustment Account			(392)	392
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(339)	339		
Use of Capital Receipts to finance new capital expenditure				
Contribution from the Capital Receipts Reserve to finance administrative costs of non-current asset disposals	(2)	2		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(349)			349
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	15			(15)



<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	21,216			(21,216)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,501)			8,501
<b>Adjustments involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive I&E Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	172			(172)
<b>Total Adjustments</b>	<b>10,966</b>	<b>341</b>	<b>849</b>	<b>(12,156)</b>

**2019/2020**

	Usable Reserves				Unusable Reserves £'000
	General Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000		
<b>Adjustments involving the Capital Adjustment Account:</b>					
<u>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</u>					
Charges for depreciation and impairment of non-current assets	10,940	0	0		(10,940)
Revaluation losses/gains on Property, Plant & Equipment	(414)	0	0		414
Movement in the fair value of Investment Properties	(520)	0	0		520
Capital grants and contributions applied	(8,374)	0	0		8,374
Revenue expenditure funded from capital under statute	2,019	0	0		(2,019)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal on the Comprehensive I&E Statement	1,128	0	0		(1,128)
<u>Insertion of items not debited or credited on the Comprehensive I&amp;E Statement:</u>					
Statutory provision for the financing of capital investment	(3,029)	0	0		3,029
Capital expenditure charged against the General Fund	(540)	0	0		540
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(401)	0	401		0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(604)		604

<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(1,099)	1,099	0	0
Use of Capital Receipts to finance new capital expenditure	0	(982)	0	982
Contribution from the Capital Receipts Reserve to finance administrative costs of non-current asset disposals	8	(8)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(543)	0	0	543
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	28	0	0	(28)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	22,888	0	0	(22,888)
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,046)	0	0	9,046
<b>Adjustments involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive I&E Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	507	0	0	(507)
<b>Total Adjustments</b>	<b>13,552</b>	<b>109</b>	<b>(203)</b>	<b>(13,458)</b>

**1.8 EARMARKED RESERVES AND DELEGATED SCHOOLS BALANCES**

A summary of the earmarked reserves set up by the Council is set out below:

	31/03/20	Transfer	Transfer	31/03/21
	Balance	to	from	Balance
	£'000	£'000	£'000	£'000
Delegated Schools Budget - Primary	1,521	1,514	0	3,035
Delegated Schools Budget - Secondary	640	1,233	0	1,873
Delegated Schools Budget - All Through	519	922	0	1,441
Insurances - Supply Cover	149	148	0	297
Schools & Culture Service	407	0	(11)	396
<b>Schools &amp; Culture</b>	<b>3,236</b>	<b>3,817</b>	<b>(11)</b>	<b>7,042</b>
Corporate Capital	2,362	863	0	3,225
Education Penweddig PFI	1,459	0	(536)	923
Corporate - Joint Arrangements	8	0	0	8
Funding / CTRS Equalisation	700	0	0	700
Corporate Redundancy	1,062	0	0	1,062
Insurance	501	387	0	888
Finance - General	0	250	0	250
<b>Finance &amp; Procurement</b>	<b>6,092</b>	<b>1,500</b>	<b>(536)</b>	<b>7,056</b>
Democratic Services	112	0	0	112
County Council Election reserve	0	200	0	200
<b>Democratic Services</b>	<b>112</b>	<b>200</b>	<b>0</b>	<b>312</b>
<b>People &amp; Organisation</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>58</b>
Porth Cymorth Cynnar	2	0	0	2
Porth Gofal	222	117	0	339
<b>Pyrrh Through Age Model</b>	<b>224</b>	<b>117</b>	<b>0</b>	<b>341</b>
<b>Policy, Performance &amp; Public Protection</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>102</b>
Highways & Environment Services	80	1,213	0	1,293
Winter Maintenance/Storm Repairs	277	0	0	277
Environmental & Flood Protection	177	0	0	177
Civil Parking Enforcement	93	0	0	93
<b>Highways &amp; Environmental Services</b>	<b>627</b>	<b>1,213</b>	<b>0</b>	<b>1,840</b>
Local Development Plan	248	0	0	248
Economy & Regeneration	177	0	0	177
Food Centre Wales (Horeb)	217	0	0	217
Growth Deal	250	0	0	250
Sewage Treatment Works Improvement Programme	543	0	0	543
<b>Performance &amp; Economy</b>	<b>1,435</b>	<b>0</b>	<b>0</b>	<b>1,435</b>
<b>Customer Contact</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>134</b>
<b>Legal &amp; Governance</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>125</b>
Contingency (including Covid 19)	1,500	2,873	0	4,373
Council Tax Premium	462	186	0	648
National Eisteddfod	170	0	0	170
Investing in People's Future	4,781	750	(94)	5,437
Boosting the Economy	67	4,443	0	4,510
Enabling Individual & Family Resilience	0	1,801	(1,301)	500
Promoting Environmental & Community Resilience	3,000	1,450	0	4,450
<b>Leadership Group</b>	<b>9,980</b>	<b>11,503</b>	<b>(1,395)</b>	<b>20,088</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>22,125</b>	<b>18,350</b>	<b>(1,942)</b>	<b>38,533</b>

The earmarked reserves were realigned during the year to reflect the Pyrrh Through Age model. The previous year's movement in Earmarked Reserves (2019/20) is shown below prior to the realignment.

	31/03/19 Balance £'000	Transfer to £'000	Transfer from £'000	31/03/20 Balance £'000
Delegated Schools Budget - Primary	1,349	357	(185)	1,521
Delegated Schools Budget - Secondary	215	425	0	640
Delegated Schools Budget - All Through	256	263	0	519
Insurances - Supply Cover	119	30	0	149
Schools Service	514	0	(107)	407
<b>Schools</b>	<b>2,453</b>	<b>1,075</b>	<b>(292)</b>	<b>3,236</b>
<b>Lifelong Learning &amp; Culture</b>	<b>28</b>	<b>0</b>	<b>(26)</b>	<b>2</b>
Corporate Capital	2,139	2,113	0	4,252
Corporate Capital Vehicle Replacement	1,600	0	(490)	1,110
Education Penweddig PFI	2,140	0	(681)	1,459
Developing Education in Ceredigion	4,781	0	0	4,781
Corporate - Joint Arrangements	8	0	0	8
Funding / CTRS Equalisation	228	472	0	700
Corporate Redundancy	1,506	0	(444)	1,062
Insurance	381	120	0	501
Finance - General	221	0	(221)	0
<b>Finance &amp; Procurement</b>	<b>13,004</b>	<b>2,705</b>	<b>(1,836)</b>	<b>13,873</b>
<b>Democratic Services</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>112</b>
<b>People &amp; Organisation</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>58</b>
<b>Children's Services</b>	<b>34</b>	<b>0</b>	<b>(34)</b>	<b>0</b>
<b>Adult Services</b>	<b>0</b>	<b>222</b>	<b>0</b>	<b>222</b>
<b>Policy &amp; Performance</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>102</b>
Technical	251	0	(171)	80
Winter Maintenance/Storm Repairs	277	0	0	277
Environmental & Flood Protection	177	0	0	177
Civil Parking Enforcement	31	62	0	93
<b>Highways &amp; Environmental Services</b>	<b>736</b>	<b>62</b>	<b>(171)</b>	<b>627</b>
Buildings & Renewable Energy	67	0	0	67
Local Development Plan	285	0	(37)	248
Economy & Regeneration	190	0	(13)	177
Food Centre Wales (Horeb)	217	0	0	217
Sewage Treatment Works Improvement Programme	554	0	(11)	543
<b>Performance &amp; Economy</b>	<b>1,313</b>	<b>0</b>	<b>(61)</b>	<b>1,252</b>
<b>Customer Contact</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>134</b>
<b>Legal &amp; Governance</b>	<b>143</b>	<b>0</b>	<b>(18)</b>	<b>125</b>
Contingency (including Covid 19)	56	1,444	0	1,500
Council Tax Premium	0	462	0	462
Growth Deal	250	0	0	250
National Eisteddfod	200	0	(30)	170
<b>Leadership Group</b>	<b>506</b>	<b>1,906</b>	<b>(30)</b>	<b>2,382</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>18,623</b>	<b>5,970</b>	<b>(2,468)</b>	<b>22,125</b>

The balance on the total Earmarked reserves increased by £16,408k in 2020/21 and £3,502k in 2019/20.

## NOTES TO THE EARMARKED RESERVES

### Delegated Schools Budgets

These reserves are ring-fenced and consist of the individual balances held for each Primary, Secondary and All through School in Ceredigion.

### Corporate Capital

This reserve exists to provide funding for the Capital Programme and will be used for making a revenue contribution to current and future Capital Programmes.

### Contingency (including COVID-19)

This reserve includes funding set aside to help mitigate and manage COVID-19 financial risks, as well as providing one-off or tapered funding relating to items treated corporately.

### Investing in People's Future

This reserve has been created to assist in delivering one of the Council's specific Corporate Priorities. It includes matched funding for the 21<sup>st</sup> Century Schools Capital Programme.

### Boosting the Economy

This reserve has been created to assist in delivering one of the Council's specific Corporate Priorities. It includes matched funding for the Council's Economic Strategy.

### Promoting Environmental & Community Resilience

This reserve has been created to assist in delivering one of the Council's specific Corporate Priorities. It includes matched funding for Coast Protection Capital schemes.

### Other Reserves

All the other reserves are held by the respective services for the specific Purpose or Service named. They have been established from savings or underspends generated in past financial years and exist to meet one off non-recurring expenditure or to assist services in managing their budgets in any particular financial year on a one-off basis.

## 1.9 OTHER OPERATING EXPENDITURE

	2020/21	2019/20
	£'000	£'000
Community Council Precepts	1,141	1,105
Dyfed Powys Police Precept	8,321	7,867
Levies	4,289	4,050
Loss/(Gain) on the disposal of non-current assets	(413)	(505)
<b>Total</b>	<b>13,338</b>	<b>12,517</b>

**1.10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and other charges	5,749	6,063
Pensions interest cost and expected return on pensions assets	3,602	2,691
Interest receivable and similar income	(62)	(280)
(Surplus)/deficit on Trading Operations	89	78
Income and Expenditure in relation to Investment Properties	(824)	(698)
Changes to fair value on Investment Properties	710	(520)
<b>Total</b>	<b><u>9,264</u></b>	<b><u>7,334</u></b>

**1.11 TAXATION AND NON SPECIFIC GRANT INCOME**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Council tax income	53,426	51,158
Non domestic rates	23,800	24,526
Non-ringfenced government grants (RSG)	83,846	77,565
Capital grants and contributions	10,975	8,778
<b>Total</b>	<b><u>172,047</u></b>	<b><u>162,027</u></b>

**Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands, based on estimated 1<sup>st</sup> April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Ceredigion County Council, Town and Community Councils, and the Dyfed Powys Police Authority 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 – 31,936.27 for 2020/21 (31,648.30 for 2019/20).

**Council Tax Base for Ceredigion County Council 2020/21**

Tax Base (@ 98.5% collection rate)

<u>Band</u>	<u>Tax Base</u>
A*	1.78
A	1,018.00
B	3,114.05
C	5,695.70
D	6,389.45
E	9,422.54
F	4,684.85
G	1,406.09
H	159.57
I	44.24
<b>Total Tax Base</b>	<b>31,936.27</b>

Analysis of the net proceeds from Council Tax:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collected	53,570	51,198
WG Hardship Fund Council Tax Collection	576	0
Less:		
(Increase)/Decrease Provision for Non-payment	<u>(720)</u>	<u>(40)</u>
<b>Net Proceeds from Council Tax</b>	<b><u>53,426</u></b>	<b><u>51,158</u></b>

The net proceeds can be analysed as follows:

	<b>2020/21</b>	<b>2019/20</b>
Ceredigion County Council	43,963	42,186
Precept for Dyfed Powys Police Authority	8,322	7,867
Precept for Town and Community Councils	<u>1,141</u>	<u>1,105</u>
	<b><u>53,426</u></b>	<b><u>51,158</u></b>

### **National Non-Domestic Rates (NNDR)**

NNDR is operated on a national basis. The Welsh Government specifies an amount for the rate which was 53.5p in 2020/21 (52.6p in 2019/20), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government (WG). The WG redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population over 18 years old.

As at 31 March 2021 the rateable value was £56,199,119 (£55,746,669 as at 31 March 2020).

**1.12 GRANT INCOME****Revenue Grants - Credited to Services:**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
WG - COVID grants	15,502	0
WG - Post 16 Funding	3,768	3,461
WG/ERW - Educational Improvement Grant	2,582	2,530
WG/ERW- Pupil Development Grant	1,287	1,192
WG - Supporting People Grant	2,953	2,932
WG - Sustainability Pressures Grant	1,025	0
WG - Sustainable Waste Management	574	557
WG - Flying Start Grant	1,076	1,082
WG - Concessionary Fares Grant	625	600
WG - Families First	322	662
WG - Bus Grant	680	927
WG - Project HELIX RDP - Food Centre Wales	485	460
WG - Child Care	7,512	5,787
WG - Teachers Pensions Grant	0	850
WG - Ramp up Funding	1,163	0
Social Care Wales - Workforce Development Programme	986	972
DWP - Housing Benefit Subsidy	15,237	16,004
DWP - Housing Benefit Admin Grants	216	188
Other Government Grants and contributions	11,339	9,618
<b>Total Government Grants in Net Cost of Services</b>	<b><u>67,332</u></b>	<b><u>47,822</u></b>

**Capital Grants and Contributions - Credited to Taxation and Non-Specific Grant Income:**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
WG - General Capital Grant	2,853	2,718
WG - Road Improvements	785	717
WG - Local Transport Network Fund	739	500
WG - Economic Futures	570	563
WG - Schools Additional Capital Works	1,144	1,001
WG - Education IT Equipment Grant	560	1,083
WG - Storm Callum	550	0
Other Grants	3,774	2,196
	<b><u>10,975</u></b>	<b><u>8,778</u></b>

**COVID19 Funding**

The value of additional funding streams due to COVID19 is summarised in the following tables:



**Principal by Nature**

2020/21	Expenditure £000	Welsh Government Income £000	NHS Income £000
Hardship Claims	8,168	8,168	0
Lost Income	0	4,782	0
Shielding Parcels	448	448	0
Council Tax Support Increased Cost	354	354	0
Digital Transformation / Savings Strategies / Admin Fees	15	1,750	0
<b>Total COVID 19 Government Grants in Net Cost of Services</b>	<b>8,985</b>	<b>15,502</b>	<b>0</b>
Council Tax Grant - Council Tax Income	0	575	0
Test, Trace, Protect - Other Income	1,017	0	772
Field Hospitals - Capital Grants & Contributions	628	0	628
<b>Total</b>	<b>10,630</b>	<b>16,077</b>	<b>1,400</b>

**Agency by Nature**

2020/21	Expenditure £000	Welsh Government Income £000
Grants to Businesses	49,184	49,184
Retail, Leisure and Hospitality Rates Relief Scheme 2021	9,096	9,096
Social Care Workforce Payment Scheme (Tranche 1 £500 each)	872	872
Self Isolation Grant	42	42
Statutory Sick Pay Enhancement Scheme - Social Care	22	22
Flood Compensation Scheme (COVID 19)	9	9
<b>Total</b>	<b>59,225</b>	<b>59,225</b>

**1.13 PROPERTY, PLANT AND EQUIPMENT**

Movements in 2020/2021:

	Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction (AUC) £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 31 March 2020</b>	238,936	23,677	155,395	1,380	2,417	516	422,321
Additions	910	2,014	5,576	89	1	1,666	10,256
Revaluation increases/(decreases) in the Revaluation Reserve	(715)	0	0	0	(10)	0	(725)
Revaluation increases/(decreases) in the Surplus/Deficit on the Provision of Services	(2,859)	0	0	0	(364)	0	(3,223)
Derecognition-disposals	0	(56)	(171)	0	(4)	0	(231)
Assets reclassified (to) /from Held for Sale	0	0	0	0	973	0	973
Assets reclassified from AUC	857	0	0	0	0	(857)	0
Other movements	2	(994)	0	0	993	0	1
<b>At 31 March 2021</b>	<b>237,131</b>	<b>24,641</b>	<b>160,800</b>	<b>1,469</b>	<b>4,006</b>	<b>1,325</b>	<b>429,372</b>
<b>Accumulated Depreciation and Impairment</b>							
At 31 March 2020	(4,127)	(12,955)	(24,147)	0	(37)	0	(41,266)
Depreciation charge	(7,222)	(1,724)	(2,760)	0	(50)	0	(11,756)
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,774	0	0	0	41	0	1,815
Impairment (losses)/reversals in the Revaluation Reserve	(349)	0	(2)	0	0	0	(351)
Impairment (losses)/reversals in the Surplus/Deficit on the Provision of Services	1,081	(26)	(49)	0	0	0	1,006
Derecognition-disposals	0	56	18	0	0	0	74
Other movements	0	853	0	0	(853)	0	0
<b>At 31 March 2021</b>	<b>(8,843)</b>	<b>(13,796)</b>	<b>(26,940)</b>	<b>0</b>	<b>(899)</b>	<b>0</b>	<b>(50,478)</b>
<b>Net Book Value</b>							
<b>At 31 March 2021</b>	<b>228,288</b>	<b>10,845</b>	<b>133,860</b>	<b>1,469</b>	<b>3,107</b>	<b>1,325</b>	<b>378,894</b>
<b>At 31 March 2020</b>	<b>234,809</b>	<b>10,722</b>	<b>131,248</b>	<b>1,380</b>	<b>2,380</b>	<b>516</b>	<b>381,055</b>

Movements in 2019/2020:

	Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction (AUC) £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
<b>At 31 March 2019</b>	218,197	20,218	150,892	1,174	1,483	674	392,638
Additions	1,703	3,972	4,503	185	1	516	10,880
Revaluation increases/(decreases) in the Revaluation Reserve	42,426	0	0	21	(593)	0	41,854
Revaluation increases/(decreases) in the Surplus/Deficit on the Provision of Services	(21,031)	0	0	0	(1,196)	0	(22,227)
Derecognition-disposals	(657)	(782)	0	0	(242)	0	(1,681)
Assets reclassified (to) /from Held for Sale	0	0	0	0	1,130	0	1,130
Assets reclassified from AUC	674	0	0	0	0	(674)	0
Other movements	(2,376)	269	0	0	1,834	0	(273)
<b>At 31 March 2020</b>	<b>238,936</b>	<b>23,677</b>	<b>155,395</b>	<b>1,380</b>	<b>2,417</b>	<b>516</b>	<b>422,321</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 31 March 2019</b>	(18,977)	(12,158)	(21,407)	0	(45)	0	(52,587)
Depreciation charge	(6,465)	(1,499)	(2,724)	0	(53)	0	(10,741)
Depreciation written out to the Surplus/Deficit on the Provision of Services	19,475	0	0	0	250	0	19,725
Impairment (losses)/reversals in the Revaluation Reserve	(610)	0	0	0	0	0	(610)
Impairment (losses)/reversals in the Surplus/Deficit on the Provision of Services	2,073	(1)	(16)	0	0	0	2,056
Derecognition-disposals	177	694	0	0	17	0	888
Other movements	200	9	0	0	(206)	0	3
<b>At 31 March 2020</b>	<b>(4,127)</b>	<b>(12,955)</b>	<b>(24,147)</b>	<b>0</b>	<b>(37)</b>	<b>0</b>	<b>(41,266)</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>234,809</b>	<b>10,722</b>	<b>131,248</b>	<b>1,380</b>	<b>2,380</b>	<b>516</b>	<b>381,055</b>
<b>At 31 March 2019</b>	<b>199,220</b>	<b>8,060</b>	<b>129,485</b>	<b>1,174</b>	<b>1,438</b>	<b>674</b>	<b>340,051</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – 1-99 years
- Vehicles, Plant, Furniture and Equipment – 1-20 years
- Infrastructure – 10-99 years

Assets held under Finance Leases are depreciated on a straight line basis over the unexpired term of the existing lease.

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years with Investment Properties and County Farms considered annually. All property valuations are carried out internally by the Council's valuers who are Members of the Royal Institution of Chartered Surveyors. The assets revalued by the Council in 2020/21 were Offices and other Operational Buildings, Investment Properties and County Farms. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, referred to as the 'Red Book'. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Historic cost is a reasonable proxy for fair value
- Vehicles, plant and equipment asset lives are based on the leasing periods the Council uses for vehicles or equipment of that specific type
- Residual values for vehicles, plant and equipment assets are 10% of the initial cost for vehicles and other equipment has no residual value

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Surplus Assets £'000
Carried at historical cost:	120	24,641	1,106
Valued at fair value as at:			
31 March 2021	18,798	0	2,900
31 March 2020	188,351	0	0
31 March 2019	13,952	0	0
31 March 2018	8,994	0	0
31 March 2017	6,916	0	0
<b>TOTAL</b>	<b><u>237,131</u></b>	<b><u>24,641</u></b>	<b><u>4,006</u></b>

**1.14 INVESTMENT PROPERTY**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of the year	17,570	16,829
Additions:		
Subsequent expenditure	52	0
Disposals	0	(50)
Net gains/(losses) from fair value investments	(710)	520
Transfers (to)/from Property, Plant and Equipment	0	271
<b>Balance at the end of year</b>	<b><u>16,912</u></b>	<b><u>17,570</u></b>

**1.15 HERITAGE ASSETS**

<b>Cost or Valuation</b>	<b>Historic Land &amp; Buildings</b>	<b>Museums</b>	<b>Artwork</b>	<b>Civic Regalia</b>	<b>Museum Exhibits</b>	<b>Total Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>1st April 2019</b>	<b>1,154</b>	<b>2,596</b>	<b>95</b>	<b>65</b>	<b>54</b>	<b>3,964</b>
Additions	0	7	0	0	0	7
Revaluations	0	(840)	0	0	0	(840)
<b>31st March 2020</b>	<b><u>1,154</u></b>	<b><u>1,763</u></b>	<b><u>95</u></b>	<b><u>65</u></b>	<b><u>54</u></b>	<b><u>3,131</u></b>
<b>Cost or Valuation</b>						
<b>1st April 2020</b>	<b>1,154</b>	<b>1,763</b>	<b>95</b>	<b>65</b>	<b>54</b>	<b>3,131</b>
Additions	7	82	0	0	0	89
<b>31st March 2021</b>	<b><u>1,161</u></b>	<b><u>1,845</u></b>	<b><u>95</u></b>	<b><u>65</u></b>	<b><u>54</u></b>	<b><u>3,220</u></b>

Further information on the Council's Heritage Assets is available in the Accounting Policies section of the Statement of Accounts (Note 1.2 – Part xii).

**1.16 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS****Fair Value Hierarchy**

<b>Category / Sub Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
				<b>as at 31/03/2021</b>
Assets Held for Sale	0	120	0	120
Corporate Estate	0	10,787	0	10,787
Empty Property	0	763	0	763
Investment Properties	0	3,550	0	3,550
Leased Property	0	152	0	152
Other Buildings	0	1,660	0	1,660
Surplus	0	3,037	70	3,107
	<b>0</b>	<b>20,069</b>	<b>70</b>	<b>20,139</b>

<b>Category / Sub Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
				<b>as at 31/03/2020</b>
Assets Held for Sale	0	740	0	740
Corporate Estate	0	11,263	0	11,263
Empty Property	0	808	0	808
Investment Properties	0	2,855	624	3,479
Leased Property	0	50	107	157
Other Buildings	0	1,585	63	1,648
Surplus	0	2,249	130	2,379
	<b>0</b>	<b>19,550</b>	<b>924</b>	<b>20,474</b>

**Transfers between Levels of Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during 2020/21.

**Valuation Techniques used to Determine level 2 and 3 Fair Values for Investment Properties***Significant Observable Inputs – Level 2*

The fair value for these assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Council area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

*Significant Unobservable Inputs – Level 3*

The fair value of these assets has been based on the capitalised income received using the Council's own data, but also, where necessary, using a market approach using current market conditions of recent sales/lettings for similar assets in the local Council area.

**Highest and Best Use of the Investment Properties**

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

**Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

**Reconciliation of Fair Value Measurements Categorised within Level 3 of the Fair Value Hierarchy**

	2020/21	2019/20
	£'000	£'000
Opening Balance	924	17,944
Transfers into Level 3	0	144
Transfers out of Level 3	(874)	(16,835)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20	(287)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(295)
Additions	0	1
Disposals	0	(285)
Other Movements	0	544
Depreciation charge	0	(6)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(1)
Closing Balance	<u>70</u>	<u>924</u>

**Closing Balance**

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

**Quantitative Information about Fair Values Measurement of Investment Properties using Significant Unobservable Inputs – Level 3**

Sub Category	As at 31/03/2021	Valuation technique used to measure fair value
	£'000	
Commercial	70	Valuation based on the market rent passing or terms agreed for the property
	<u>70</u>	

**Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuers work closely with finance officers reporting on a regular basis regarding all valuation matters.

**1.17 LONG TERM DEBTORS**

	2020/21	2019/20
	£'000	£'000
Adult Social Care	467	665
Housing	2,834	1,963
Other	225	94
	<u>3,526</u>	<u>2,722</u>

**1.18 INVENTORIES**

	2020/21	2019/20
	£'000	£'000
Balance outstanding at start of year	545	502
Purchases & Donations	3,022	1,031
Issued	<u>(2,094)</u>	<u>(988)</u>
Balance outstanding at year-end	<u>1,473</u>	<u>545</u>

**Donated Inventories Account**

During the year, the Council received a significant amount of Personal Protective Equipment from Welsh Government for use within both in-house as well as commissioned social care services. This represents the principle amount of the Donated Inventories.

	2020/21	2019/20
	£'000	£'000
Balance as at 1st April	0	0
Received	2,676	0
Utilised	<u>(1,610)</u>	<u>0</u>
Balance outstanding at year-end	<u>1,066</u>	<u>0</u>



**1.19 FINANCIAL INSTRUMENTS**

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

	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/21</b>	<b>31/03/20</b>	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Investments</b>				
Loans and Receivables	0	0	4,003	6,032
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>4,003</b>	<b>6,032</b>
	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/21</b>	<b>31/03/20</b>	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Debtors</b>				
Loans and Receivables	3,526	2,722	0	0
Financial Assets at amortised cost	0	0	27,308	18,599
<b>Total Debtors</b>	<b>3,526</b>	<b>2,722</b>	<b>27,308</b>	<b>18,599</b>
	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/21</b>	<b>31/03/20</b>	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	115,872	116,877	1,084	6,264
<b>Total Borrowings</b>	<b>115,872</b>	<b>116,877</b>	<b>1,084</b>	<b>6,264</b>
	<b>Long Term</b>			
	<b>31/03/21</b>	<b>31/03/20</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	5,824	6,102		
<b>Total Other Long Term Liabilities</b>	<b>5,824</b>	<b>6,102</b>		
	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/21</b>	<b>31/03/20</b>	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Creditors</b>				
Financial Liabilities at amortised cost	817	374	22,173	21,762
<b>Total Creditors</b>	<b>817</b>	<b>374</b>	<b>22,173</b>	<b>21,762</b>

**Income, Expense, Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2020/2021			2019/2020		
	Financial Liabilities at amortised cost	Financial Assets: Loans & Receivables	Total	Financial Liabilities at amortised cost	Financial Assets: Loans & Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	5,441	0	5,441	5,792	0	5,792
Fee expense	14	0	14	15	0	15
<b>Total expense in Surplus/Deficit on the Provision of Services</b>	<b>5,455</b>	<b>0</b>	<b>5,455</b>	<b>5,807</b>	<b>0</b>	<b>5,807</b>
Interest Income	0	(53)	(53)	0	(282)	(282)
Interest income accrued on impaired financial assets	0	(9)	(9)	0	0	0
<b>Total income in Surplus/Deficit on the Provision of Services</b>	<b>0</b>	<b>(62)</b>	<b>(62)</b>	<b>0</b>	<b>(282)</b>	<b>(282)</b>
<b>Net (gain)/loss for the year</b>	<b>5,455</b>	<b>(62)</b>	<b>5,393</b>	<b>5,807</b>	<b>(282)</b>	<b>5,525</b>

**Fair values of Financial assets and liabilities that are not measured at Fair Value**

The fair values calculated are as follows:

<u>Financial Liabilities</u>	31 March 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities (All - Premature Repayment rates)	116,956	183,983	123,141	212,320
Financial Liabilities (All - New Loans rate)	116,956	159,052	123,141	157,366
Financial Liabilities (PWLB loans only - Premature Repayment rate)	110,077	172,083	116,239	198,189
Financial Liabilities (PWLB loans only - New Loans rate)	110,077	149,727	116,239	148,347

Valuation of PWLB loans: For loans from the PWLB, fair value estimates have been provided using both redemption and new borrowing (certainty rate) discount rates.

Valuation of non-PWLB loans: For non-PWLB loans, fair value estimates have been provided using both PWLB redemption and new PWLB Certainty Rate loan discount rates.

The valuation basis adopted uses **Level 2 Inputs** - i.e. inputs other than quoted prices that are observable for the Financial Liability.

The fair value is higher than the carrying amount because the Council's portfolio includes loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

PWLB loans:

The commitment to pay interest above current market rates increases the amount that the Council would have to pay if PWLB requested or agreed to early repayment of the loans (Premature Repayment rate). The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB (New loans rate).

The following assumptions have been used in the fair value calculations:

- Interest is calculated using the most common market convention, ACT/365
- Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date.
- The discount rates were obtained from the market on 31 March 2021, using bid prices where applicable.

Other assumptions made about the fair values of financial assets and financial liabilities:

- the fair value of payables and receivables (Short Term Creditors and Debtors) is taken to be the invoiced or billed amount.
- the fair value of loans and receivables have been calculated and are not materially different to the carrying value.

## 1.20 CAPITAL COMMITMENTS

At 31 March 2021, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £6,650k (£2,453k as at 31 March 2020).

<b><u>2020/21</u></b>	<b>£'000</b>
County Road Resurfacing Phase 3	576
Childcare Provision -Ysgol Henry Richard	686
Cardigan Secondary School extension and refurbishment	4,830
Nursery Facility at Llwyn yr Eos CP School	548
Cenarth Community School - Meithrin Extension and Refurbishment	10
<b>Total</b>	<b><u>6,650</u></b>

<b>2019/20</b>	<b>£'000</b>
IBERS to Penrhyncoch Shared Path	316
Reducing Infant Class Sizes - Pontrhydfendigaid School	613
Storm Callum - B4333 Dan-yr-Allt, Adpar	288
Bridges & Highways Refurbishment	296
Replacement Vehicles	320
Aberaeron Coastal Protection	135
Street Lighting Programme	485
<b>Total</b>	<b><u>2,453</u></b>

**1.21 DEBTORS**

	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	16,633	9,640
Other Local Authorities	3,076	2,644
NHS Bodies	3,169	2,712
Public corporations and trading funds	0	10
Other entities and individuals	11,247	9,287
Impairment Allowance	<u>(3,440)</u>	<u>(2,257)</u>
<b>Total</b>	<b><u>30,685</u></b>	<b><u>22,036</u></b>

Central Government Bodies debt has increased substantially as at 31/03/21 in relation to Welsh Government as a result of COVID-19 related funding claims which were outstanding at year end.

**1.22 CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Council	33	33
Bank current accounts	(2,538)	(791)
Short-term deposits with banks/building societies/other financial institutions	25,200	16,493
<b>Total Cash and Cash Equivalents</b>	<b><u>22,695</u></b>	<b><u>15,735</u></b>

**1.23 CREDITORS**

	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	3,745	3,845
Other Local Authorities	1,636	1,120
NHS Bodies	672	198
Public corporations and trading funds	0	20
Other entities and individuals	<u>16,614</u>	<u>17,701</u>
<b>Total</b>	<b><u>22,667</u></b>	<b><u>22,884</u></b>

**1.24 BORROWING**

The Council's long term borrowing is mainly from the Public Works Loan Board (PWLB). The loans are analysed by maturity with the interest rates ranging between 1.73% and 9.875%.

An analysis of loans by maturity:

	31/03/21	31/03/21	31/03/21	31/03/20	31/03/20	31/03/20
	PWLB	OTHER	TOTAL	PWLB	OTHER	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Maturing withing one year</b>	<b>1,084</b>	<b>0</b>	<b>1,084</b>	<b>3,272</b>	<b>0</b>	<b>3,272</b>
<b>Long Term Borrowing</b>						
Maturing in 1 - 2 years	7,818	0	7,818	1,084	0	1,084
Maturing in 2 - 5 years	6,589	0	6,589	13,182	0	13,182
Maturing in 5 - 10 years	10,747	636	11,383	9,405	556	9,961
Maturing in 10 - 15 years	16,780	250	17,030	19,202	250	19,452
Maturing in 15 - 20 years	19,522	0	19,522	19,489	0	19,489
Maturing in 20 - 25 years	8,470	0	8,470	8,585	0	8,585
Maturing in 25 - 30 years	9,800	0	9,800	7,864	0	7,864
Maturing in 30 - 35 years	10,500	0	10,500	7,500	0	7,500
Maturing in 35 - 40 years	19,000	0	19,000	20,000	0	20,000
Maturing in 40 - 45 years	0	0	0	4,000	0	4,000
45+ years	0	5,760	5,760	0	5,760	5,760
<b>Total Long Term Borrowing</b>	<b>109,226</b>	<b>6,646</b>	<b>115,872</b>	<b>110,311</b>	<b>6,566</b>	<b>116,877</b>

**Loan Restructuring**

No loan restructuring was carried out during 2020/21.

**Welsh Government Grants to be repaid in future years**

During 2020/21 the Council received an £80k loan from Welsh Government for a specific scheme. Together with loans received in previous years there now remains a balance of £886k across two schemes to be repaid in the future. Although these have been called grants, they have been treated as loans within the Balance Sheet due to the need to pay them back in 5-15 years.

**1.25 OTHER LONG TERM LIABILITIES**

	31/03/21	31/03/20
	£'000	£'000
Ysgol Gyfun Penweddig PFI Liability	3,959	4,263
Pension Liability	160,825	154,386
Finance Lease Liability	579	679
MRP writedown adjustment	1,286	1,160
<b>Total</b>	<b>166,649</b>	<b>160,488</b>

**1.26 USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 28 and Note 1.8.

**1.27 UNUSABLE RESERVES**

	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	103,149	107,952
Capital Adjustment Account	157,781	153,658
Financial Instruments Adjustment Account	637	652
Pensions Reserve	(160,825)	(154,386)
Deferred Capital Receipts Reserve	3,022	2,673
Accumulated Absences Account	(3,500)	(3,328)
<b>Total Unusable Reserves</b>	<b><u>100,264</u></b>	<b><u>107,221</u></b>

The following are an analysis of the most significant Unusable Reserves:

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The 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.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	107,952	69,913
Upward revaluation of assets	2,449	46,355
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,525)	(5,863)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>(1,076)</u>	<u>40,492</u>
Difference between fair value depreciation and historical cost depreciation	<u>(3,721)</u>	<u>(2,280)</u>
Accumulated gains on assets sold or scrapped	<u>(6)</u>	<u>(173)</u>
Amount written off to the Capital Adjustment Account	<u>(3,727)</u>	<u>(2,453)</u>
<b>Balance at 31 March</b>	<b><u>103,149</u></b>	<b><u>107,952</u></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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1.7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	153,658	150,828
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(11,759)	(10,940)
Revaluation losses on Property, Plant and Equipment	214	414
Revenue expenditure funded from capital under statute	(310)	(2,019)
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	(277)	(1,128)
	<u>(12,132)</u>	<u>(13,673)</u>
Adjusting amounts written out of the Revaluation Reserve	3,727	2,454
Net written out amount of the cost of non-current Assets consumed in the year	<u>(8,405)</u>	<u>(11,219)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	0	982
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,734	8,374
Application of grants to capital financing from the Capital Grants Unapplied Account	392	604
Statutory provision for the financing of capital Investment charged against the General Fund	3,016	3,029
Capital expenditure charged against the General Fund	96	540
	<u>13,238</u>	<u>13,529</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(710)	520
<b>Balance at 31 March</b>	<u><u>157,781</u></u>	<u><u>153,658</u></u>



**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 Council 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 Council 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(154,386)	(116,735)
Reversing out IAS19 items	(21,216)	(22,888)
Remeasurements	6,276	(23,809)
Pension Costs payable	8,501	9,046
<b>Balance at 31 March</b>	<b><u>(160,825)</u></b>	<b><u>(154,386)</u></b>

**Deferred Capital Receipts**

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 arrangement, the Council 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>31/03/21</b>	<b>31/03/20</b>
	<b>£'000</b>	<b>£'000</b>
Low Cost Home Ownership Scheme	375	375
WG Houses into Home loans	391	266
HILS/H2H Capital Loans Deferred	417	440
Planning Permissions Commuted	1,487	1,244
Emergency Repair loans	287	279
Other Deferred Capital Receipts	65	69
<b>Balance at 31 March</b>	<b><u>3,022</u></b>	<b><u>2,673</u></b>

**Accumulated Absences Account**

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

	2020/21	2019/20
	£'000	£'000
<b>Balance at 1 April</b>	(3,328)	(2,821)
Settlement or cancellation of accrual made at the end of the preceding year	3,328	2,821
Amounts accrued at the end of the current year	<u>(3,500)</u>	<u>(3,328)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(172)	(507)
<b>Balance at 31 March</b>	<u><u>(3,500)</u></u>	<u><u>(3,328)</u></u>

### 1.28 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2020/21	2019/20
	£'000	£'000
Interest Paid	(5,735)	(7,104)
Interest Received	58	302

### 1.29 MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year. Details of individual payments, as required by The Local Authorities (Allowances for Members of County and County Borough and National Park Authorities) (Wales) Regulations 2002 are published in the local press.

	2020/21	2019/20
	£'000	£'000
Salaries	818	795
Expenses	0	28
<b>Total</b>	<u><u>818</u></u>	<u><u>823</u></u>

### 1.30 OFFICERS' REMUNERATION

- The multiple between the median full time equivalent earnings and the Chief Executives' maximum salary is **1:5.5** (2019/20: 1:5.5)
- The average full time equivalent earnings of the Chief Executive is **£117,866** (2019/20: £114,711)
- The median full time equivalent earnings of all the Council's employees is **£21,322** (2019/20 £20,751)

The remuneration paid to the Council's senior employees (excluding any election fees paid) is as follows:

**Senior Officers Emoluments - Salary between £60,000 and £150,000**

2020/21

<b>Post Holder Information (Post Title)</b>	<b>Salary (inc. Fees &amp; Allowances)</b>	<b>Pension Contributions Employers</b>	<b>Total Remuneration Including Pension Contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	117,866	18,623	<b>136,489</b>
Corporate Director	104,086	16,446	<b>120,532</b>
Corporate Lead Officer: Finance & Procurement (S151)	82,223	12,991	<b>95,214</b>
Corporate Lead Officer: Schools	82,223	12,991	<b>95,214</b>
Corporate Lead Officer: Policy & Performance (1)	77,641	12,267	<b>89,908</b>
Corporate Lead Officer: Customer Contact	77,192	12,196	<b>89,388</b>
Corporate Lead Officer: Economy & Regeneration	77,192	12,196	<b>89,388</b>
Corporate Lead Officer: Porth Cynnal (2)	77,191	12,196	<b>89,387</b>
Corporate Lead Officer: Democratic Services	75,515	11,931	<b>87,446</b>
Corporate Lead Officer: Highways & Environmental Services	75,515	11,931	<b>87,446</b>
Corporate Lead Officer: Legal & Governance Services	75,515	11,931	<b>87,446</b>
Corporate Lead Officer: Porth Cymorth Cynnar	75,515	11,931	<b>87,446</b>
Corporate Lead Officer: Porth Gofal (3) (4)	75,095	11,865	<b>86,960</b>
Corporate Lead Officer: People & Organisation - Apr 20 to Dec 20 (5)	52,982	8,371	<b>61,353</b>
Corporate Director - Apr 20 to May 20 (5)	17,927	2,741	<b>20,668</b>
Interim Corporate Director - Dec 20 onwards (5)	29,031	4,587	<b>33,618</b>
Interim Corporate Lead Officer: People & Organisation - Jan 21 onwards (6)	18,040	2,850	<b>20,890</b>

No benefits in kind or compensation for loss of employment were paid to senior officers. Any mileage expenses paid were paid at HMRC rate.

- 1) Remuneration includes £449 honorarium for additional duties due to the departure of the Statutory Director of Social Services and Corporate Lead Officer: Porth Cynnal on 31<sup>st</sup> March 2020.
- 2) Remuneration is that of the acting Corporate Lead Officer: Porth Cynnal to 30<sup>th</sup> June 2020 due to the departure of the Statutory Director of Social Services and Corporate Lead Officer: Porth Cynnal on 31<sup>st</sup> March 2020. The post of Corporate Lead Officer: Porth Cynnal was filled on 1<sup>st</sup> July 2020 by the acting Corporate Lead Officer: Porth Cynnal.
- 3) Remuneration includes £1,258 honorarium for additional duties due to the departure of the Statutory Director of Social Services and Corporate Lead Officer: Porth Cynnal on 31<sup>st</sup> March 2020.

- 4) As part of the ongoing restructure of the social care service, the post of Corporate Lead Officer: Porth Ceredigion was renamed to Corporate Lead Officer: Porth Gofal on 26<sup>th</sup> November 2020.
- 5) The Corporate Director retired on 31<sup>st</sup> May 2020. The post of Interim Corporate Director was subsequently created and filled on 14<sup>th</sup> December 2020 by the Corporate Lead Officer: People & Organisation.
- 6) Following the appointment of the Corporate Lead Officer: People & Organisation to Interim Corporate Director on 14<sup>th</sup> December 2020, the post of Interim Corporate Lead Officer: People & Organisation was created and filled on 1<sup>st</sup> January 2021.

**Senior Officers Emoluments - Salary between £60,000 and £150,000****2019/20**

<b>Post Holder Information (Post Title)</b>	<b>Salary (inc. Fees &amp; Allowances)</b>	<b>Pension Contributions Employers</b>	<b>Total Remuneration Including Pension Contributions</b>
	£	£	£
Chief Executive	114,829	18,119	<b>132,948</b>
Corporate Director	101,418	16,001	<b>117,419</b>
Corporate Director	101,418	16,001	<b>117,419</b>
Corporate Lead Officer: Finance & Procurement (S151)	78,508	12,382	<b>90,890</b>
Corporate Lead Officer: Schools	78,390	12,382	<b>90,772</b>
Corporate Lead Officer: Policy & Performance (1)	76,338	12,039	<b>88,377</b>
Corporate Lead Officer: Economy & Regeneration	75,245	11,866	<b>87,111</b>
Corporate Lead Officer: Customer Contact	75,126	11,866	<b>86,992</b>
Corporate Lead Officer: Democratic Services	71,861	11,351	<b>83,212</b>
Corporate Lead Officer: Highways & Environmental Services	71,861	11,351	<b>83,212</b>
Corporate Lead Officer: Legal & Governance Services	71,861	11,351	<b>83,212</b>
Corporate Lead Officer: People & Organisation	71,861	11,351	<b>83,212</b>
Corporate Lead Officer: Porth Cynnal - Sep '19 to Mar '20 (2)	51,426	7,223	<b>58,649</b>
Corporate Lead Officer: Lifelong Learning & Culture - Apr '19 to Nov '19 (3)	45,312	7,158	<b>52,470</b>
Corporate Lead Officer: Porth Ceredigion - Sep '19 to Mar '20 (4) (5)	43,687	6,900	<b>50,587</b>
Corporate Lead Officer: Adult Services - Apr '19 to Aug '19 (2)	32,663	5,159	<b>37,822</b>
Corporate Lead Officer: Porth Cynnal (Acting) - Nov '19 to Mar '20 (6)	27,310	4,313	<b>31,623</b>
Corporate Lead Officer: Porth Cymorth Cynnar - Nov '19 to Mar '20 (3)	26,549	4,193	<b>30,742</b>
Corporate Lead Officer: Children Services - Apr '19 to Jun '19 (7)	18,892	2,967	<b>21,859</b>

No benefits in kind or compensation for loss of employment were paid to senior officers. Any mileage expenses paid were paid at HMRC rate.

- 1) Remuneration includes £1,093 honorarium for additional duties due to a period of sickness absence of the Statutory Director of Social Services and Corporate Lead Officer: Porth Cynnal.

- 2) Due to a restructure of the social care service during 2019/20 the post of Corporate Lead Officer: Adult Services was transferred to the new post of Corporate Lead Officer: Porth Cynnal on 1<sup>st</sup> September 2019.
- 3) Due to a restructure of the social care service during 2019/20 the post of Corporate Lead Officer: Lifelong Learning & Culture was transferred to the new post of Corporate Lead Officer: Porth Cymorth Cynnar on 18<sup>th</sup> November 2019.
- 4) Due to a restructure of the social care service during 2019/20 the post of Corporate Lead Officer: Porth Ceredigion was created. The post was taken up on 1<sup>st</sup> September 2019.
- 5) Remuneration includes £2,721 honorarium for additional duties due to a period of sickness absence of the Statutory Director of Social Services and Corporate Lead Officer: Porth Cynnal.
- 6) Remuneration is that of the acting Corporate Lead Officer: Porth Cynnal from 11<sup>th</sup> November 2019 due to a period of sickness absence of the Statutory Director of Social Services and Corporate Lead Officer: Porth Cynnal.
- 7) The Corporate Lead Officer: Children Services retired on 30<sup>th</sup> June 2019. The post was subsequently removed.

**These amounts do not include any employer's pension contributions paid. They do however include amounts paid to or receivable by the employee for any compensation for loss of employment (1 employee in 2020/21 and 1 employees in 2019/20).**

Remuneration Band	2020/21 No. of Employees	2020/21 No. which Include Termination Payments	2019/20 No. of Employees	2019/20 No. which Include Termination Payments
£60,000 - £64,999	7	0	7	0
£65,000 - £69,999	6	0	6	0
£70,000 - £74,999	4	0	0	0
£75,000 - £79,999	0	0	2	0
£80,000 - £84,999	2	0	1	0
£85,000 - £89,999	2	1	2	1
£90,000 - £94,999	1	0	1	0
£95,000 - £99,999	1	0	0	0
£100,000 - £104,999	0	0	0	0
<b>TOTAL</b>	<b>23</b>	<b>1</b>	<b>19</b>	<b>1</b>

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £181k (£953k in 2019/20). The following payments comprising of statutory and voluntary redundancy costs, pension contributions in respect of added years and pension strain and other ex gratia payments.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total Number of exit packages		Total cost of exit packages in each band	
	2020/21 no.	2019/20 no.	2020/21 no.	2019/20 no.	2020/21 no.	2019/20 no.	2020/21 £'000	2019/20 £'000
£0 - £20,000	30	15	9	38	39	53	64	333
£20,001 - £40,000	0	1	2	5	2	6	75	155
£40,001 - £60,000	0	0	1	2	1	2	50	97
£60,001 - £80,000	0	0	0	1	0	1	0	63
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	106
£150,001 - £200,000	0	1	0	0	0	1	0	187
<b>Total</b>	<b>30</b>	<b>18</b>	<b>12</b>	<b>46</b>	<b>42</b>	<b>64</b>	<b>189</b>	<b>941</b>
<b>Add: Amounts provided for in Comprehensive Income &amp; Expenditure Statement not included in bandings</b>							(8)	12

<b>Total cost included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>181</b>	<b>953</b>
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### 1.31 EXTERNAL AUDIT COSTS

The following fees relating to external audit and inspection for the 2020/21 financial year are payable by the Council:

	Proposed Fee 2020/21 £'000	Actual Fee 2019/20 £'000
Financial Audit Work	154	154
Performance Audit Work	100	100
Grant Certification Work	24	24
Other Financial Audit Work: Ceredigion Harbour Authority	2	2
	<b>280</b>	<b>280</b>

### 1.32 RELATED PARTY TRANSACTIONS

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

#### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Individual revenue grants received from government departments included within gross income in the Surplus or Deficit on the Provision of Services amount to £67,211k for 2020/21.

### Members and Officers

The Council has arrangements in place requesting officers and members to identify and disclose related party transactions. There were no related party transactions with members or officers during the year. Members of the Council have direct control over the Council's financial and operating policies. The total of members' salaries paid in 2020/21 is shown in Note 1.29.

### Other Public Bodies

During the year, other transactions with related parties arose as follows:

	<b>Receipts</b>	<b>Payments</b>
	<b>£'000</b>	<b>£'000</b>
<b>Central Government</b>		
Share of NNDR from National Pool	23,800	0
Revenue Support Grant	83,846	0
<b>Capital Grants</b>		
Welsh Government	10,901	0
<b>Mid and West Wales Fire Authority</b>	0	4,277
<b>Dyfed Powys Police</b>	0	8,321
<b>Town/Community Councils within Ceredigion Area</b>	0	1,141

### 1.33 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.



	2020/21 £m	2019/20 £m
<i>Opening Capital Financing Requirement</i>	141.0	141.7
<i>Capital investment:</i>		
Property, Plant and Equipment	10.1	10.7
Investment Properties	0.1	0.0
Other	0.1	0.0
Revenue Expenditure Funded from Capital under statute	0.3	2.0
<i>Sources of finance:</i>		
Capital Receipts	0.0	(0.9)
Government grants and other contributions	(10.1)	(9.0)
<i>Sums set aside from Revenue:</i>		
Direct Revenue Contributions - General Fund	(0.1)	(0.5)
Minimum Revenue Provision	(3.0)	(3.0)
<i>Closing Capital Financing Requirement</i>	<u><u>138.4</u></u>	<u><u>141.0</u></u>
<i>Explanation of Movements in year:</i>		
Increase in underlying need to borrow (supported)	(2.3)	0.3
Increase in underlying need to borrow (unsupported)	0.0	(0.7)
Assets acquired under PFI	(0.2)	(0.2)
Assets acquired under finance leases	(0.1)	(0.1)
<i>Increase/(decrease) in Capital Financing Requirement</i>	<u><u>(2.6)</u></u>	<u><u>(0.7)</u></u>

## 1.34 LEASES

### **Council as Lessee:**

#### **Finance Leases**

The Council has acquired various buildings, photocopiers, printers, computers and other equipment under finance lease terms. They were carried in the Balance Sheet at the following values:

	31 March 2021 £'000	31 March 2020 £'000
Vehicles, plant, furniture and equipment	233	319
Infrastructure	995	1,022

The Council is committed to making the following payments under these agreements:

	31 March 2021 £'000	31 March 2020 £'000
Finance Lease Liabilities (NPV on minimum payments):		
- Current	126	130
- Non-current	579	679
Finance costs payable in future years	(64)	(74)
Minimum lease payments	<u><u>641</u></u>	<u><u>735</u></u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£'000	£'000	£'000	£'000
Not later than one year	131	138	126	130
Later than one year and not later than five years	178	256	194	279
Later than five years	332	341	385	400
Minimum lease payments	<b>641</b>	<b>735</b>	<b>705</b>	<b>809</b>

### Operating Leases

The Council has acquired vans, minibuses, photocopiers, computers and various other equipment under operating lease terms. The Council is committed to making the following payments under these agreements:

	31 March 2021	31 March 2020
	£'000	£'000
Not later than one year	120	147
Later than one year and not later than five years	92	122
Later than five years	0	0
Minimum lease payments	<b>212</b>	<b>269</b>

### Council as Lessor:

#### Operating Leases

The Council has leased out its Corporate Estate properties under operating lease terms.

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

	31 March 2021	31 March 2020
	£'000	£'000
Not later than one year	757	815
Later than one year and not later than five years	2,409	2,523
Later than five years	28,943	29,325
Minimum lease payments	<b>32,109</b>	<b>32,663</b>

## 1.35 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Ysgol Gyfun Penweddig PFI Scheme

2020/21 was the twenty first year of a 30 year PFI contract for the construction, maintenance and operation of Ysgol Gyfun Penweddig in Aberystwyth. The PFI contract agreement covers the following operating specifications:

- Facilities Management – to ensure that the site and buildings are available during school days, office days and for community use at agreed times and periods;
- Building and Engineering Maintenance – to maintain the school buildings, facilities and equipment in good working order;

- Grounds Maintenance – to ensure that the school grounds are kept in a safe, pleasant, functional and operational condition;
- IT Network Maintenance – to maintain the school's main ICT infrastructure and the telephone system;
- Cleaning – to provide a cleaning service that will ensure that the school operates within a clean environment; and
- Catering Service – to provide meals of high nutritional standards delivered in accordance with the needs of the school.

The agreement specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the school and maintain it to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The building and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights under the PFI agreement to terminate the agreement if the Provider defaults as stipulated within the agreement. The Council, in the event of such termination, will be liable to pay compensation to the Provider in accordance with Part II of Schedule 3 of the PFI Agreement.

### Property Plant and Equipment

The asset is recognised on the Council's Balance Sheet. Movements in its value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 1.13. The carrying value of Ysgol Gyfun Penweddig is £18,834k.

### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

<u>Payments due to be made:</u>	<b>Payment for</b>	<b>Reimbursement</b>	<b>Interest</b>	<b>Total</b>
	<b>Services</b>	<b>of Capital Exp</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
within 1 year	1,066	304	405	1,775
within 2 to 5 years	2,954	1,922	1,205	6,081
within 6 to 10 years	3,524	2,037	454	6,015
	<b>7,544</b>	<b>4,263</b>	<b>2,064</b>	<b>13,871</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is as follows:

Value of Liabilities at Balance Sheet Date

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,568	5,079
Repayment of Principal	<u>(305)</u>	<u>(511)</u>
Balance at 31 March	<b><u>4,263</u></b>	<b><u>4,568</u></b>
Long term	3,959	4,263

**1.36 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita. The Scheme provides teachers with specified benefits upon their retirement, and the Council 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, a notional fund is used as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21 the Council paid £5.7m (£4.8m in 2019/20) to the Department for Education and Skills in respect of teachers' pension costs, which represents 23.68% of teachers' pensionable pay for 2020/21 (16.48% of teachers' pensionable pay from 1st April 2019 to 31st August 2019 and 23.68% from 1st September 2019 to 31st March 2020). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2020/21, £202,382 (£185,956 in 2019/20) was paid to the Teachers' Pension Fund, either directly or via Carmarthenshire County Council (in respect of the Council's share of the former Dyfed County Council's costs relating to the premature retirement of teachers). Also, the Council made payments of £380,094 in 2020/21 (£369,321 in 2019/20) directly to teachers who have retired prematurely since 1 April 1996. The capitalised value of the above payments is £3.64m and £6.84m respectively.

**1.37 DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Carmarthenshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The estimated employer contributions for 2021/22 are £8,405k and this is based on contribution rates set per the 2019 Actuarial Valuation.

**Transactions Relating to Post-employment Benefits**

The Council recognises the cost of retirement benefits 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 Council 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 General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund

	2020/21 £'000	2019/20 £'000
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of Services:		
- current service cost	17,516	17,811
- past service cost	82	1,236
- (gain)/loss from settlements/curtailments	16	1,150
Financing and Investment Income and Expenditure:		
- net interest cost	3,602	2,691
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>21,216</b>	<b>22,888</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(91,229)	44,416
- Actuarial gains and losses arising on changes in demographic assumptions	0	(14,610)
- Actuarial gains and losses arising on changes in financial assumptions	95,823	(9,446)
- Experience (gain)/loss	(10,870)	3,449
	(6,276)	23,809
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>14,940</b>	<b>46,697</b>
<b>Movement in Reserves Statement:</b>		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(21,216)	(22,888)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to scheme	8,501	9,046

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	635,391	530,752
Fair value of plan assets	(474,566)	(376,366)
<b>Net liability arising from defined benefit obligation</b>	<b><u>160,825</u></b>	<b><u>154,386</u></b>

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

	<b>All Benefits</b>		<b>Unfunded Benefits</b>	
	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	376,366	413,167	0	0
Interest income	9,011	9,891	0	0
Remeasurement gain/(loss):				
- The return on plan assets, excluding the amount included in the net interest expense	91,229	(44,416)	0	0
Contributions from employer	8,501	9,046	384	395
Contributions from employees into the scheme	3,210	3,056	0	0
Benefits paid	(13,548)	(14,184)	(384)	(395)
Other	(203)	(194)	0	0
<b>Closing fair value of scheme assets</b>	<b><u>474,566</u></b>	<b><u>376,366</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

	<b>All Liabilities</b>		<b>Unfunded Liabilities</b>	
	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	530,752	529,902	5,017	6,889
Current service cost	17,313	17,617	0	0
Interest cost	12,613	12,582	117	160
Contributions from scheme participants	3,210	3,056	0	0
Remeasurement (gains) and losses:				
- Experience (gains)/losses	(10,870)	3,449	(118)	(1,419)
- Actuarial (gains)/losses arising from changes in financial assumptions	95,823	(9,446)	510	(73)
- Actuarial (gains)/losses arising from changes in demographic assumptions	0	(14,610)	0	(145)
Past service cost	82	1,236	0	0
Losses/(gains) on curtailment	16	1,150	0	0
Benefits paid	(13,548)	(14,184)	(384)	(395)
<b>Closing balance at 31 March</b>	<b><u>635,391</u></b>	<b><u>530,752</u></b>	<b><u>5,142</u></b>	<b><u>5,017</u></b>

**Local Government Pension Scheme assets comprised:**

	Quoted (Y/N)	Fair value of scheme assets	
		2020/21 £'000	2019/20 £'000
<b>Equities:</b>			
UK	Y	101,035	87,769
Global	Y	123,387	0
Overseas Pooled Funds	N	0	89,462
US	Y	51,443	42,266
Canada	Y	2,088	1,694
Japan	Y	15,993	12,608
Pacific	N	4,888	3,877
Emerging Markets	N	40,528	27,625
European ex UK	Y	12,196	10,237
<b>Sub-total equities</b>		<b>351,558</b>	<b>275,538</b>
<b>Bonds:</b>			
UK Government Indexed	Y	12,339	14,829
UK Corporate	N	0	37,975
Other Class 1	Y	42,711	0
<b>Sub-total bonds</b>		<b>55,050</b>	<b>52,804</b>
<b>Property:</b>			
Property Funds	N	52,440	46,142
<b>Sub-total property</b>		<b>52,440</b>	<b>46,142</b>
<b>Alternatives</b>			
Class 1	Y	9,966	0
<b>Sub-total alternatives</b>		<b>9,966</b>	<b>0</b>
<b>Cash</b>			
Cash accounts	Y	5,552	1,882
<b>Sub-total cash</b>		<b>5,552</b>	<b>1,882</b>
<b>Total assets</b>		<b>474,566</b>	<b>376,366</b>

**Split of assets between investment categories**

	2020/21	2019/20
Equities	74.08%	73.21%
Bonds	11.60%	14.03%
Property	11.05%	12.26%
Alternatives	2.10%	0.00%
Cash	1.17%	0.50%

**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 is dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the last actuarial valuation of the scheme as at 31 March 2019. The significant assumptions used by the actuary have been:

	31 March 21	31 March 20
<b>Duration information as at the end of the accounting period:</b>		
Estimated Macaulay duration of liabilities	18 years	18 years
Duration profile used to determine assumptions	Very Mature	Very Mature
	<b>31 March 21</b>	<b>31 March 20</b>
<b>Financial assumptions:</b>		
- Rate of CPI Inflation/CARE benefits revaluation	2.70%	2.10%
- Rate of increase in salaries	4.20%	3.60%
- Rate of increase in pensions in payment/deferment	2.80%	2.20%
- Discount rate	2.10%	2.40%
- Non-retired members	S3PA CMI_2018_[1.75%] (100% males, 91% females)	S3PA CMI_2018_[1.75%] (100% males, 91% females)
- Retired members	S3PA CMI_2018_[1.75%] (94% males, 92% females)	S3PA CMI_2018_[1.75%] (94% males, 92% females)
<b>Life expectancy of a male (female):</b>		
- future pensioner aged 65 in 20 years' time	24.7 (27.2) years	24.5 (27.1) years
- current pensioner aged 65	23.1 (25) years	23 (24.9) years

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.



**Sensitivity analysis as at 31 March 2021**

Disclosure item	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. pay growth	1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	635,391	624,160	646,825	636,800	654,398
Assets	(474,566)	(474,566)	(474,566)	(474,566)	(474,566)
Deficit/(Surplus)	<b>160,825</b>	<b>149,594</b>	<b>172,259</b>	<b>162,234</b>	<b>179,832</b>
Projected Service Cost for next year	21,861	21,306	22,440	21,861	22,557
Projected Net Interest Cost for next year	3,289	3,199	3,533	3,323	3,692

Disclosure item	Sensitivity 5	
	+/- 0.1% change in 2020/21 Investment returns	
	+1%	-1%
	£'000	£'000
Liabilities	635,391	635,391
Assets	(479,302)	(469,830)
Deficit/(Surplus)	<b>156,089</b>	<b>165,561</b>
Projected Service Cost for next year	21,861	21,861
Projected Net Interest Cost for next year	3,190	3,389

**Risks associated with the Pension Fund**

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

**1.38 DISCLOSURE OF NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's treasury management activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity and Re-financing risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The COVID-19 pandemic presents additional uncertainty in relation to the financial risks described, particularly credit risk. However, the Council's Treasury Management Strategy minimises the effect of these risks as described in this note.

Treasury Management is carried out by a central Treasury team supported by an external advisor – Link Asset Services. Treasury Management is defined as *'The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks'*.

The Local Government Act 2003 requires the Council to set out its Treasury Management Strategy, which is approved annually by Full Council. Guidance exists in the form of a CIPFA Treasury Management code of practice. The Council's Treasury Management Strategy sets out the Council's policies for managing its investments and debt and for giving priority to the security and liquidity of those investments.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they have a credit rating.

All credit ratings are monitored via a creditworthiness service which provides online information together with weekly credit rating lists provided by Link Asset Services. This utilises credit ratings from all 3 credit rating agencies (Fitch, Moodys and Standards & Poors) and also factors in credit default swaps data where this exists in the markets. The Council is notified electronically every time a change occurs to the rating of an institution that is on the approved list. If a counterparty or investment scheme is down-graded with the result that it no longer meets the Council's minimum credit criteria, the use of that counterparty/investment scheme will be withdrawn with immediate effect.

The credit criteria in respect of financial assets held by the Council as at 31st March 2021 are detailed below:

<b>Financial Asset Category</b>	<b>Criteria</b>	<b>Maximum Individual Investment held as at 31/03/21</b>	<b>Total Investments held as at 31/03/21</b>
Deposits with UK Government Debt Management Office	Not credit rated	£1.5m	£5.0m
Deposits with Banks / Building Societies	Minimum rating: Long Term A- Short Term F1	£12.2m	£24.2m

The Council has an investment schedule which is approved by Full Council as part of the annual Treasury Management Strategy. This list shows:

- the categories of investment that are allowed and who is authorised to invest in each category (e.g. in house officers, external fund managers);

- the minimum credit rating criteria required for each type of investment;
- the maximum value of funds that can be invested with each individual counterparty;
- the maximum value of funds that can be invested for each category of investment;
- the maximum duration allowed for each type of investment;
- the upper limit for investments of greater than 364 days' duration.

This schedule is reviewed regularly and updated in line with latest credit ratings and market conditions.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last twelve financial years, adjusted to reflect current market conditions.

	<u>Amount</u> <u>at</u> <u>31/03/21</u>	<u>Historical</u> <u>experience</u> <u>of default</u>	<u>Historical</u> <u>experience</u> <u>adjusted</u> <u>for market</u> <u>conditions</u> <u>as at</u> <u>31/03/21</u>	<u>Estimated</u> <u>Maximum</u> <u>exposure to</u> <u>default and</u> <u>un-</u> <u>collectability</u>	<u>Estimated</u> <u>maximum</u> <u>exposure</u> <u>at</u> <u>31/03/21</u>
	<u>£'000</u>	<u>%</u>	<u>%</u>	<u>£'000</u>	<u>£'000</u>
	A	B	C	A x C	
Deposits with Banks and financial institutions	29,201	1.7%	1.7%	496	496

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Management Strategy report.

Although the full economic impact of the COVID-19 is yet to play out, the financial services sector is facing much uncertainty and challenges. The Council continues to closely monitor the credit ratings of institutions on its approved counterparty list. Any counterparty that is downgraded resulting that it no longer meets the Council's minimum credit criteria, will with immediate effect be withdrawn from the approved counterparty list.

### **Liquidity and Re-financing Risk**

As the Council has ready access to borrowings from the Public Works Loans 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 Council will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To this end the debt maturity profile is a key consideration when undertaking new borrowing or the restructuring of existing borrowing.

The maturity analysis of the Council's external debt as at 31st March 2021 is:

	<b>£'000</b>
Less than one year	1,084
Between 1 and 2 years	7,818
Between 2 and 5 years	6,589
Between 5 and 10 years	11,383
10 years and above	90,082
	<b><u>116,956</u></b>

All trade and other payables are due to be paid in less than one year. Bonds held as Long Term Creditors are not included in the maturity analysis table above.

## **Market Risk**

### **Interest Rate Risk**

The Council 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 Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Income and Expenditure Account will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are carried at amortised cost, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound.

The Council has a limited number of strategies for managing interest rate risk given the current low interest rate environment. The main strategy is to manage the core balance and cashflow requirements, making longer investments where surplus funds allow, whilst at the same time recognising the financing requirements within the Council's 3 year capital programme and undertaking new long term borrowing whilst interest rates are still generally at historic lows.

For 2020/21 the Council's investment portfolio (excluding accrued interest) began the year at £22.5m and ended the year at £29.2m. The debt portfolio (excluding accrued interest) began the year at £122.8m and ended the year at £116.7m.

An assessment of the latest interest rate position and future forecasts feeds into the setting of the annual budget. This is also used to monitor and project a budget outturn position regularly during the year. This allows any adverse changes to be taken into account. Interest rate forecasts are received from independent forecasters via the Council's external treasury advisors. This not only influences borrowing strategies but also investment timescales and the overall balance of the investment and borrowing portfolios.

At 31/03/2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in Interest Receivable on variable rate investments	94
<b>Total impact on Income and Expenditure Account</b>	<b>94</b>
<b>Fair Value Impact</b>	<b>£'000</b>
Decrease in fair value of fixed rate borrowings	21,148

The Council also does not have any variable rate borrowing liabilities.

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

Investment returns for 2020/21 have been very low due to historically low interest rates as a continued consequence of the COVID-19 pandemic (2020/21: £46k 2019/20: £262k).

### Price Risk

The Council no longer uses an external fund manager; therefore the investments it places are currently based on fixed interest rates. The Council is therefore not currently exposed to losses arising from movements in the prices of traded items e.g. shares, gilts, certificates of deposits.

### Foreign Exchange Risk

In normal circumstances the Council would not have any financial assets or liabilities denominated in foreign currencies and therefore would not have an exposure to loss arising from movements in exchange rates. However as a result of the Icelandic Heritable Bank Administration process and the LBI Composition agreement, an amount denominated in Euros (equivalent to c£9k) was being held in escrow pending the outcome of further payment(s) from the Administrators of Heritable Bank. This case was concluded during 2020/21 and a final dividend was received of £9,926.44 at the end of July 2020.

## 1.39 CONTINGENT LIABILITIES

### Municipal Mutual Insurance

The former Council's insurers prior to 1996 were Municipal Mutual Insurance (MMI), who ceased writing insurance business on 30 September 1992. In order to ensure an orderly run-off, a Scheme of Arrangement (Scheme) was put in place that became effective on 21 January 1994. The directors of MMI triggered the Scheme on 13 November 2012, after it became clear that a solvent run-off was not able to be achieved. Ernst and Young were appointed as the Scheme administrators and set an initial levy rate of 15%, an amount of £30K, which was paid by the Council in 2013/14. In 2015/16, the Council was notified that the levy rate was being increased to 25% and so a further amount of £20k was paid. The Scheme requires the largest insurance creditors (Scheme Creditors) of MMI to accept partial payment of claims (past as well as future). The maximum amount of clawback that can be made due to any future levies is £174,014 provided that there are no further claims by Ceredigion against the Scheme, which is not expected.

**Water Rates Legal Case**

The Council transferred its housing stock to Tai Ceredigion in 2009, prior to that water rates were collected on behalf of Dwr Cymru from tenants as part of their rent. In return for this service the Council received a commission. This arrangement has been called in to question in the case *Kim Jones v London Borough of Southwark [2016] EWHC 457*. The court ruled that the defendant was acting as a water supplier and not as an agent of the water supplier in collecting water rates as part of rent. This ruling has potential financial implications in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates.

**1.40 JOINT COMMITTEES****Growing Mid Wales Board**

The Council and Powys County Council are members of the Growing Mid Wales Board which was established in 2020/21. The Board provides leadership, strategic decision making, and accountability for the Mid Wales Growth Deal. A separate annual return has been produced for the Board for 2020/21. The only figures relating to Growing Mid Wales which are included in this Statement of Accounts is the Council's contribution towards the Board which is £44,049 for 2020/21.

**Education through Regional Working (ERW)**

The Council withdrew from the ERW Consortium on the 31st March 2021.

**1.41 POST BALANCE SHEET EVENTS AND AUTHORISATION OF ACCOUNTS FOR ISSUE**

There are no post balance sheet events for 2020/21.

The Statement of Accounts is authorised for issue by the Corporate Lead Officer: Finance & Procurement on 25 November 2021.

## **ANNUAL GOVERNANCE STATEMENT**

### **1 EXECUTIVE SUMMARY**

Ceredigion County Council ('the Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council is also committed to improving the social, economic, environmental and cultural wellbeing of its citizens. This commitment is set out in the Council's Corporate Strategy 2017-2022 and describes how the council will meet the challenges ahead and make the most of opportunities. The Council's vision for this period is that the Council *'delivers value for money sustainable bilingual public services that support a strong economy and healthy environment while promoting well-being in our people and our communities'* and is to be achieved by fulfilling the Corporate Priorities, which are:

1. Boosting the Economy;
2. Investing in People's Future;
3. Enabling Individual and Family Resilience; and
4. Promoting Environmental and Community Resilience.

To be successful the council must have a solid foundation of good governance and sound financial management. The Council's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code is supported by a Governance Assurance Framework that sets out what assurances the Council seeks to obtain, and how this will be done.

A copy of the Council's Local Code of Corporate Governance and Annual Governance Statement is available on the Council's website at <https://www.ceredigion.gov.uk/your-council/councillors-committees/annual-governance-statement/>.

The Council also has a duty under the Local Government (Wales) Measure 2009 to arrange 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 must ensure proper arrangements for the governance of its affairs are in place, facilitating the effective exercise of its functions, and which includes the arrangements for the management of risk. The Local Government and Elections (Wales) Act 2021 has also received Royal Assent and some sections are already in force. The Council has already started with compliance of these sections of the Act.

A Governance Framework was developed in 2010 and has been revised in accordance with the CIFA/SOLACE Delivering Good Governance in Local Government Framework 2016. The framework is used to review the governance arrangements on an annual basis.

The Well-being of Future Generations (Wales) Act 2015 also introduces new governance arrangements for public services in Wales. Public bodies are required to carry out sustainable development. It places a well-being duty on public bodies to set and publish well-being objectives designed to maximise their contribution to the seven national well-being goals. They are also expected to take all reasonable steps towards achieving their objectives.

Following the review and in accordance with the requirements of the Framework a Local Code of Corporate Governance was initially approved by Council on 29 June 2017 and an updated version was approved by Council on 19 March 2020.

The Local Code of Corporate Governance brings together in one document all the governance and accountability arrangements the Council has in place. The Code is based on best practice guidance set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The 2021/22 Code is due to be reviewed further to take account of ongoing changes to governance due to the coronavirus pandemic.

The Council's Governance Framework is based on the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) and the following seven principles:

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

The Council is required, each year, to produce an Annual Governance Statement ('AGS') (this document), which explains how the Council has complied with the seven core principles and sub-principles contained in its Governance Framework

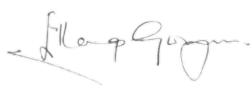


and the Local Code of Corporate Governance, and also meets the requirement of The Accounts and Audit (Wales) Regulations 2014. This AGS gives assurances on compliance for the year ending 31 March 2021 and up to the date of approval of the Statement of Accounts.

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this AGS, and to further enhance the Council's governance arrangements.


The Leader and Chief Executive confirm they have been advised of the implications of the review by Senior Management and the Audit Committee and are satisfied that the steps outlined in this AGS will address the areas for improvement.

Signed on behalf of **Ceredigion County Council**



**Leader of the Council**

Date: 25 November 2021



**Chief Executive**

Date: 25 November 2021

## **2 Assessment of the effectiveness of key elements of the Governance Framework**

The Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively.

The Leader of the Council provides clear strategic direction and the Constitution clearly defines the roles of Councillors and Officers. Internal and External Audit, Ethics and Standards Committee and the Audit Committee are committed to ensuring the governance arrangements are effective and robust.

The Council has conducted an annual review of the effectiveness of its governance against the CIPFA/SOLACE Delivering Good Governance Framework (2016). The review involved a member/officer workshop in which the Council's Governance Framework Document was analysed and reviewed, and included the following Members: the Chair and Vice Chair of Audit Committee, the Audit Committee Lay Member and the Chair of Overview and Scrutiny Co-ordinating Committee. In addition, the Monitoring Officer, Corporate Manager - Internal Audit, Governance Officer, Corporate Lead Officer - Democratic Services, Corporate Performance & Improvement Officer and the Corporate Manager – Partnerships,

Performance and Public Protection also took part. Following the Workshop, the attendees had a further opportunity to consider the Council's Governance Framework Document and the Corporate Lead Officer Policy, Performance and Public Protection, Corporate Lead Officer People and Organisation, Corporate Lead Officer Economy & Regeneration, Corporate Lead Officer Finance & Procurement and Corporate Lead Officer Customer Contact had an opportunity to consider the Governance Framework Document.

During the workshop each behaviour was introduced and scored against a scoring mechanism, as follows:

- 1/2 Unacceptable Immediate action required
- 3/4 Below satisfactory - urgent Action Required (within 3-6 months)
- 5/6 Satisfactory - Action Required (before end of year 9-12 months)
- 7/8 Acceptable Minor adjustments may be required
- 9/10 Good - overall Governance considered to be good and meets best practice no further action required

The governance framework was also circulated to other officers, who have governance/management responsibilities within the council. The review framework was presented to Audit Committee in February 2021.

The effectiveness of the governance framework draws on evidence and assurances from:

- Internal and External Audit and Inspection;
- Financial Controls;
- Risk and Performance Management;
- Legal and Ethical Standards;
- Corporate Directors and Other Senior Management, including the S.151 Officer and the Monitoring Officer;
- The Audit Committee; and
- Overview and Scrutiny Committees.

In addition, the Corporate Manager - Internal Audit undertakes an independent review of the Governance Framework and the method of scoring and evidence, on an annual basis. The review of the 2019/20 Framework was delayed due to the pandemic, but was completed in December 2020 and provided 'high' assurance that there was a sound system of scrutiny and robustness in place. This was reported in the Quarter 3 Progress Report to Audit Committee in February 2021. The review of the 2020/21 Framework also provided high assurance and was reported to the Governance and Audit Committee in June 2021.

The Council has drawn together a Local Code for Corporate Governance which sets out the systems and processes, and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Local Code for Corporate Governance is available on the Council's website at <https://www.ceredigion.gov.uk/your-council/councillors-committees/annual-governance-statement/>.

### **3 Corporate Governance Achievements for 2020-21**

The Local Code for Corporate Governance sets out the Local Authority's commitment to the principles of good governance. The following paragraphs outline the Corporate Governance achievements during 2020-21.

#### **A. Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law:**

- The Constitution continues to be the subject of further monitoring review during 2020-21 with a revised edition published on the Council's website in March 2020. A politically balanced Constitution Cross Party Working Group has been set up to action further changes to reflect legislative changes according to need;
- The draft Well-being & Improvement Objectives Annual report 2019-20 was presented to Council on 16 October 2020 and included a review of the Well-being Objectives. A mandatory E-learning training module on the Well-Being of Future Generations Act 2015 must be completed by all staff to ensure awareness of the requirements;
- The Monitoring Officer advised Chief Officers on the need to declare close personal associations with other Officers or Members including advising Chief Officers at Leadership Group Meetings;
- The Monitoring Officer is updating the Code of Conduct for Officers;

- The Monitoring Officer reminded Members and co-opted independent members of their obligations regarding declarations of interest for enhanced COVID-19 lockdown grants for businesses;
- The Dispensation forms for Members have been updated to ensure continued relevance;
- The Monitoring Officer reminded Officers of the requirements of declarations and Hospitality and interests;
- Members completed a HR training module and training on standards and behaviour is provided to Managers for Staff;
- The Well-Being Objectives for 2020-2021 have been reviewed to ensure they meet the requirements of the Corporate Strategy 2017-2022;
- There is a continuing requirement for the Chief Officer's annual Declarations of interest and continuing obligations to declare interests, including for Members (including independent/lay members of the Ethics & Standards Committee and Audit Committee);
- There is continued regular dialogue with Public Services Ombudsman for Wales and other regulators including Estyn, CIW, ICO and IPCO;
- An Audit Committee Annual Report was reported to Council on 10 December 2020 and approved;
- A COVID-19 Governance Structure was introduced, to include temporary delegated powers for the Council's Chief Executive and Leadership Group through use of Urgent Decisions and for decisions relating to the Council's COVID-19 response), in accordance with Council's Constitution. Record of Urgent Decisions, for urgent decisions made by the COVID-19 Leadership Group ('Gold Command') published on the Council's Website. The Urgent Decision of the leader is reviewed every 3 months;
- The Council is making preparations to comply with Local Government and Elections (Wales) Act 2021 regarding Audit Committee (terms of reference, remit and composition to be reviewed):

Changes include:

- change of name to 'Governance and Audit Committee';
  - Membership to be 2/3 Councillors and 1/3 Lay Persons (as defined in Act);
  - Committee duty to appoint own Chair and Deputy Chair;
  - Chair must be lay person;
  - Deputy Chair must not be member of Local Authority Executive; and
  - in absence of Chair & Deputy only non-executive Members can chair;
- An updated Internal Audit Charter was approved by the Audit Committee in February 2021;

- National Fraud Initiative is underway, which is a national data-matching exercise to detect fraud;
- Internal Audit annual report on Counter Fraud presented to Audit Committee at year-end to raise awareness of procedures in place;
- The Employee Handbook is being reviewed, available to staff and includes the Code of Conduct for Local Government Employees;
- Procurement training is being rolled out to Staff;
- The Council has developed a Modern Slavery Policy (sent to contractors of the Council), Anti-Slavery Annual Statement 2019-2020 and Code of Practice Ethical Employment in Supply Chains;
- A Roadmap has been produced, which outlines the services the Council does and does not provide, and what the Council's plans are, which is reviewed regularly, for Ceredigion giving overview of services provided in light of COVID-19 Pandemic, current guidance and number of cases in Ceredigion; and
- The Local Government and Elections (Wales) Act 2021 shall have an effect on corporate bodies, including the Council, and preparations for compliance are underway.

B. Ensuring openness and comprehensive stakeholder engagement:

- All statutory annual reports are available on the Council's website, and a host of service areas are online to show commitment to openness;
- Council meetings are currently webcast due to pandemic, but all are open to the public and papers published on the Council website (with the exception of exempt reports);
- Integrated Impact Assessment conclusions are reported to Council, Cabinet and Overview and Scrutiny, with 9 Integrated Impact Assessments going to Cabinet over 2020-2021 (up to February 2021).
- The Well-being Objectives for 2020-2021 have been set in order to deliver the Corporate Strategy 2017-2022;
- The Social Services Complaints Policy and Procedure has been reviewed;
- Consultations were completed in 2020-2021 to ensure input from Service users, which are available on the Council's website e.g. Aberystwyth Promenade Food & Beverage Trial, Public / Traders Feedback Questionnaire and Consultation on developing a new Ceredigion Economic Strategy 2020-2035.
- Due to Coronavirus the Council has consulted remotely via video conferences and electronic surveys;

- A new Draft Engagement policy has been prepared to take into account the latest engagement methodology, including digital engagement;
- An overview and Scrutiny Public Engagement Protocol (2018) has continued to be used on several occasions;
- The Council has worked in partnership with Local Authorities and Public Services across Mid and West Wales, the formal review of partnerships that sit under the Public Service Board has been completed. The new partnership structure has been operational since June 2018 and is reviewed on a periodic basis; and
- Guidelines on Corporate Branding issued (May 2019).

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

- The draft Well-being & Improvement Objectives Annual report 2019-20 was presented to Council on the 16th of October 2020 and included a review of the Well-being Objectives. A mandatory E-learning training module on the Well-Being of Future Generations Act 2015 must be completed by all staff to ensure awareness;
- The most recent Audit of the Council's Improvement Plan (2019-2020) Annual Improvement Report was issued in November 2020. The report concluded positively about the Council's performance, financial and Governance arrangements that the Council discharged its duties and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties;
- A Risk management e-learning package had been developed for all Staff and training took place in 2019, with workshop with insurers arranged for senior Managers;
- Strategic Equality Plan 2020-2024 issued;
- The Annual Strategic Equality Plan monitoring report 2019-2020 is being submitted for approval, and once approved will be published on Council website;
- A mandatory E-learning training module on Welsh Language Awareness must be completed by all Staff;
- Annual Complaints and Compliments Report 2019/20 approved by Council 10 December 2020;
- The appointed Auditor considers the Council's arrangements to secure economy, efficiency and effectiveness: and
- The Integrated Impact Assessment Tool and guidance is available and used to support decision-making.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes:

- Corporate Performance Management arrangements in place to ensure achievement of intended outcomes;
- The Integrated Impact Assessment tool and guidance is available and standard reporting templates are used in decision making process;
- A Corporate Project Management Panel has been established to formalise project development and management, which meets fortnightly;
- A Report to Cabinet 24 September 2019 was provided on Corporate Risk Management Framework Review (including Risk Management Policy) with the Policy and Framework being approved, with roll out of training programme for Members, Senior Management and Managers, and the new Risk Management Policy and Strategy underpinned by the Risk Management Framework available to all Members of Staff. Documents have been amended to reflect additional risks and background information to make informed decisions;
- A review of Collaboration Projects is underway. The review includes a section on assessing risks across collaboration projects and account will be taken of legislative changes e.g. Local Government and Elections (Wales) Act 2021;
- The Corporate Communications Strategy 2019-22 aids engagement with stakeholders; and
- The Internal Audit Strategy & Plan 2020/2021 was approved by Audit Committee on 12 November 2020, to gain assurance re internal controls during the year.

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

- A Survey regarding self-assessment was completed by Scrutiny;
- Continuous restructuring of the Leadership and Senior Officer structure over a number of years has defined these roles and how they integrate with each other;
- The Council's Constitution sets out the functions and responsibilities:
- A Scheme of Delegation exists and clearly sets out responsibilities for Members and Officers;
- Job descriptions clearly define the roles and responsibilities required of posts:

- Performance Reviews link to Corporate and strategic objectives, undertaken for last quarter of 2020-21;
- Cerinet (Council's intranet) has been continually reviewed and improved for effectiveness;
- Various HR policies available to staff and members, to include information and facilities re well-being;
- Induction programme is provided for new Members. Ongoing training is arranged for specific issues to enhance understanding of topics;
- The Workforce Plan 2017-2022 includes actions for staff development in key themes; and
- A number of training courses for staff are available via e-learning modules.

F. Managing risks and performance through robust internal control and strong financial management:

- The Corporate Risk Management Policy and Strategy and the Risk Management Framework was approved by Council on 24 September 2019 and the Council continues to form strategies and plans taking into account the risks caused by the COVID-19 pandemic;
- The Corporate Risk Register is regularly presented to Leadership Group for monitoring and is a standing item on the Audit Committee agenda;
- The identified current and longer-term corporate risks presented by the pandemic have been collated and added to the Corporate Risk Register as RO18, which will be regularly monitored both by Leadership Group and Audit Committee;
- The Council published a Well-being and Improvement Objective Annual Report in October 2019 (The Well-Being & Improvement Objectives Annual Report 2019-2020 was approved by Audit Committee on 12 November 2020);
- The Well-Being Objectives for 2020-2021 have been reviewed to ensure they meet the Corporate Strategy 2017-2022;
- The annual Internal Audit Plan is risk-assessed and takes account of Council aims and objectives, and corporate policies and procedures; to include a review of the Risk Management corporate arrangements, and testing the mitigating controls in place for a sample of risks noted in the Corporate Risk Register (Internal Audit Plan 2020-2021 presented to Audit Committee 12 November 2020);
- Financial monitoring is regularly undertaken throughout the Council under a devolved accountancy arrangement and formal reporting is made to Cabinet;



- Regular Quarterly Internal Audit Progress Reports to Audit Committee for monitoring (e.g. Internal Audit Progress Report for period 1 April 2020 to 30 September 2020 presented to Audit Committee on 12 November 2020);
- Summary of work and audit opinion on assurance provided annually in Internal Audit Annual Report at year-end;
- Internal controls, risk & governance processes are monitored according to the Internal Audit Charter & the Annual Internal Audit Strategy and Plan.
- Internal Audit presents Counter-Fraud Report to Audit Committee annually (2019-2020 Counter-Fraud Report presented to Audit Committee on 12 November 2020).
- A re-structure of Internal Audit has been implemented in November 2020 and service fully resourced with effect from 1 December 2020.
- Three members of the Internal Audit team are currently pursuing the Institute of Internal Auditors' professional training qualification.
- Audit Committee terms of reference, remit and composition to be reviewed in light of Local Government and Elections (Wales) Act 2021.

Changes include:

- change of name to 'Governance and Audit Committee';
- Membership to be 2/3 Councillors and 1/3 Lay Persons (as defined in Act);
- Committee duty to appoint own Chair and Deputy Chair;
- Chair must be lay person;
- Deputy Chair must not be member of Local Authority Executive; and
- in absence of Chair & Deputy only non-executive Members can chair.
- Lay member recruitment to be undertaken during 2020/21, taking into account any Local Government & Elections (Wales) 2021 Act requirements and termination of term of office of current lay member;
- Job Direction, Personal specification, and criteria approved by Council 10 December 2020;
- Audit Committee considers Cabinet reports on Capital Management;
- Scrutiny arrangements are in place that is supported and which provide opportunities to challenge decision-making and review the provision of services.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability;
- ICT and Digital Strategy for 2018-22 approved, along with other policies, guidance & mandatory training to ensure security of data;
- Annual reports are published including:

- The draft Well-being & Improvement Objectives Annual report 2019-20, which was presented to Council on 16 of October 2020 and included a review of the Well-being Objectives; and
- Annual Financial Statement including the Annual Governance Statement.

G. Implementing Good Practices in transparency, reporting and audit to deliver effective accountability:

- Council meetings continue to be webcast;
- Use of Modern.Gov public sector training courses and new training system.
- Council preparing for implementation of changes to be introduced by Local Government and Elections (Wales) Act 2021, which include for Council to consult and publish a public participation strategy with the aim of increasing public participation in local democracy, and improving transparency;
- Council compliance with The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020, which allow for remote access for meetings and public access/publishing of documents requirements;
- Council Roadmap provides up-to-date information for citizens on services being provided due to COVID-19 pandemic, in order to provide clarity for County residents;
- Council's Annual Governance Statement evidences how it complies with the seven core Governance Framework Principles and sub-principles contained in the Framework and in the Local Code of Corporate Governance, including how it puts in place proper arrangements for the governance of its affairs, facilitates the effective exercise of its functions, and makes arrangements for risk management (the Governance Framework was developed in 2010 and has been revised in accordance with the CIFA/SOLACE Delivering Good Governance in Local Government Framework 2016). In compliance also with Local Government (Wales) Measure 2009 and The Well-being of Future Generations (Wales) Act 2015;
- Assessment of the framework for corporate governance carried out to ensure compliance e.g. updated to reflect changes necessary because of COVID-19 pandemic. Decision by Council whether Annual Governance Statement approved e.g. updated and approved by Council 10 September 2020 (with accounts);
- Council's Local Code of Corporate Governance demonstrates how it has the necessary corporate governance arrangements in place to perform effectively. The Local Code of Governance is a public statement that sets out the way the Council will meet that commitment;
- The Internal Audit function is headed by a CIPFA qualified Corporate Manager - Internal Audit ('CMIA') who has considerable local government

experience, supported by a team with appropriate knowledge and skills. Three members of staff currently studying for the Chartered Institute of Internal Auditors ('IIA') qualification, and two developing ICT auditing skills;

- CMIA has free and unfettered access to the Chair of the Audit Committee and both meet regularly during the year (and these meetings continue remotely during the COVID-19 pandemic);
- Internal Audit Charter regularly reviewed and approved by Audit Committee;
- A good working relationship exists with external regulators, and recommendations for corrective action are acted upon; and
- The Council publishes an Annual Governance Statement each year.

#### **4 Opinion on the level of assurance that the governance arrangements can provide**

The Corporate Manager - Internal Audit (CMIA) prepares an Annual Internal Audit Report at year-end which is usually presented to Audit Committee at its June meeting; however, due to the pandemic this wasn't possible for 2019/20 & reporting was delayed. The report sets out the individual and collective outcomes of the audit reviews undertaken during the year, and provides the overall audit opinion of assurance based on this audit work. The assurance provided also takes into account progress in implementing improvements, consideration of the risk register and assurances provided in reports issued by external regulators. The scope of audit work and how the need to constantly reprioritise to ensure sufficient work is undertaken for the assurance is detailed in the report.

Due to the pandemic, the Audit Committee of 1 April 2020 was postponed, resulting in a delay in approving the Internal Audit annual reports. These were presented to the Audit Committee on 12 November 2020; however, the CMIA appraised the Chair and Vice Chair of Audit Committee of the Service's situation regularly during that period.

The Annual Report at year-end contains the results of the internal audit annual self-assessment of the service, based on CIPFA's LG Application Note's template. This was subject to an external peer review during 2016-17, and an external assessment is planned to be repeated every five years, as required by the Public Sector Internal Audit Standards (PSIAS). The resultant improvement plans from these assessments are included in the quarterly Progress Reports presented to Audit Committee and reviewed annually in the Annual Internal Audit Report.

The Improvement Plans identify improvements made and planned against the recommendations arising from the assessments, along with the results of the service's Quality Assurance Improvement Programme as required by the PSIAS to ensure the Audit Committee is able to monitor the service's progress.

The Internal Audit Progress Report 1/4/2020-30/9/2020 (presented to Audit Committee on 12 November 2020) and the Quarter 3 Progress Report (presented to Audit Committee on 24 February 2021) include the actions taken to date to achieve the identified proposed improvements.

Audit Committee has been monitoring these ongoing actions as recommended by Audit Wales in their 2019-20 ISA260 due to the long and short-term absences previously experienced within the Section. However, it is pleasing to note that the staffing structure has been at full complement with effect from 1 December 2020.

On 12 November 2020, the CMIA also presented to Audit Committee the Internal Audit Strategy and Plan for 2020/21. This is designed to ensure a sufficient area of coverage is undertaken to support the annual opinion on the effectiveness of the systems of governance, risk management and internal control across the Council. The Internal Audit Strategy and Plan for 2020/21 summarised the work areas the Internal Audit Section aimed to concentrate their time on during the year, taking account of the situation due to the pandemic.

The service has been provided on a more reactive basis this year, due to the various risks introduced from necessary changes in the Council's working practices, such as the issuing of one-off grants, set-up of groups to target specific areas of change, more staff working from home, etc. Internal audit work has been assessed on an on-going basis with regular consideration given to the Council's changing needs and priorities. All actions taken have been consistent with the guidance note issued by the Internal Audit Standards Advisory Board. In addition, more resources have been dedicated to developing the assurance mapping system to provide additional support to the assurance provided at year-end.

The CMIA concluded in her 2020/21 Annual Report presented to Governance and Audit Committee in June 2021 based on:

- the number, scope and assurances from internal and external undertaken during the year to 31 March 2021, and
- the acceptance of actions by management (where available),

that the Council had a satisfactory framework of governance, risk management and internal controls in place to manage the achievement of the organisation's objectives.

However, due to the on-going effect of the pandemic, it should be noted that no schools were reviewed during the year.

The Annual Governance Statement will be the subject of review by Audit Wales to ensure that it is consistent with their knowledge and with legislation. In addition, the Internal Audit section undertakes an annual independent review of the Annual Governance Framework and the method of scoring and evidence, as noted in Point 2 above.

The Council's Corporate Lead Officer - Customer Contact acts as the Authority's Senior Information Risk Owner and also has responsibility for Data Protection and ICT Security.

The SIRO Forum traditionally included subject matter experts: E.g. Facilities, Data Protection, IT Security, Head of IT, Legal, HR and some departmental representation. This meets every quarter to discuss information risk and information management issues.

The current key roles and scrutiny of Information Assets are as follows:

- An IT Security Officer ('ITSO') who advises on data security and external advisers and consultants are employed from time to time to test and advise on the Authority's security arrangements.
- An Information and Records Management Officer ('IRMO') advises on legal compliance and ensures that policies and procedures are in place and are being adhered to.
- Corporate Data Protection (known internally as Corporate Data Protection / FOI / EIR Group Meeting) meets quarterly and is chaired by the Head of Service Policy (Deputy HOS ICT&CS).
- Annual Reports as required to the Council's Audit Committee.

Additionally:

- ITSO is the Vice-chair of Wales National Public Sector Security Forum (CymruWARP) which meets quarterly.
- IRMO Chairs the Information and Records Management Society Wales/Cymru and arranges events across Wales.
- IRMO is part of the WASPI - Mid and West Wales Quality Assurance Panel.

Following the Governance Framework review, overall governance arrangements are considered to be acceptable or good on the basis that average scores applied were 7/8 – 9/10.

The introduction of the Local Code for Corporate Governance outlining how the Council is committed to the core principles of the CIPFA/SOLACE delivering Good Governance in Local Government Framework provides guidance to all Members and Officers on the governance agenda.

Regular review of the Local Code of Governance will provide a high level of assurance that the governance arrangements are fit for purpose.

## Coronavirus Pandemic

Due to the coronavirus pandemic crisis, all Council offices were closed to the public with effect from 23 March 2020.

In light of the national emergency and urgent situation arising as a result of the pandemic, and in order to protect the Council and the public's interests, in circumstances where the decision is deemed urgent such that any delay would seriously prejudice the Council's or the public's interests, the Council Leader granted temporary delegated powers to the Council's Chief Executive and Leadership Group to make decisions relating to the Council's COVID-19 response.

The decision was made in accordance with part 4 of the Council's Constitution.

The Record of Urgent Decision Notice is available on the Council's website on the Council's page for Governance Structure for decision making during COVID-19 (<https://www.ceredigion.gov.uk/resident/coronavirus-covid-19/governance/>). The decision was reviewed and on 2 October 2020 the Leader approved a revised decision and the decision is to be reviewed again.

During the period Gold Command Meetings have been held in order to discuss the COVID-19 pandemic and how to effectively deal with the situation. Gold Command continues to meet several times weekly.

The Gold Command forum was set-up immediately to facilitate operations and provide a robust decision-making process from the outset, holding daily virtual meetings.

Audit Wales's COVID-19 Recovery Interim Assurance letter of 19 October 2020 to the Council summarises its interim conclusions based on the ongoing monitoring of the adjustment process regarding the ongoing impact of the pandemic. In the Appendix, Audit Wales refers to, as part of the Council's adapting decision-making arrangements, the Decision Log as being planned for publication on the Council's website and for reporting to the next meeting of the Overview and Scrutiny – Co-ordinating Committee. The Audit Committee noted the contents of this letter at its meeting on 12 November 2020 and a Report by the Corporate Lead officer – Legal and Governance/Monitoring Officer was presented to the Overview and Scrutiny Co-ordinating Committee on 20 January 2020, which noted the contents of the Report and the contents of the Gold Command COVID-19 Leadership Group Meetings per the Decision Log.

The Log was first published on the Council website on 5 November 2020 (for decisions made up to 30 September 2020). Decisions from 1 October 2020 to 30 November 2020 have also now been published.

The Council had a clear vision that every single person, business and service could understand and agree upon in order to ensure Ceredigion succeeded in not

only reducing predicted deaths through the first peak but more importantly for any future predicted peaks. This has been actioned in three phases to date:

- Phase 1: Preparedness – Closing down of all non-essential services
- Phase 2: Implementation – Delivering services under lockdown conditions
- Phase 3: Adjustment and long term resilience

Phase 3 provides an adjustment phase from the first two phases to a fourth, recovery phase. To enable this to happen, the adjustment phase must consider three main components that will be critical to dealing with COVID-19 whilst at the same time releasing elements of the lockdown safely and in a controlled and structured manner. The three elements are:

### **Containment + Isolation + Eradication**

As lockdown restrictions are gradually eased and the Welsh Government amends its guidance, the Council is looking at how and when it can recommence its services or how they will be delivered differently. This is documented in a 'Roadmap' on the Council's website.

It is hoped that the business sectors and community groups will also contribute to this roadmap so that there is clarity for all residents of Ceredigion.

Following an initial immediate suspension of public meetings, Council meetings have been reintroduced via a virtual platform.

Members of the public are able to attend the remote meetings by e-mailing the Democratic Services for registration details. A full list of remote meetings are available on the Council website. These meetings are also available on the Council's Facebook page to view.

## 5 Issues identified for last year (2020-2021)

The following table records the actions that have been taken during 2020-21 to resolve the issues identified in the Annual Governance Statement for 2019-2020:

Issue	Action	Outcome / Progress to Date	Lead Officer	Completion Date
A1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<p>Monitoring Officer to continue to advise Members further on the need to declare hospitality/gifts.</p> <p>Monitoring Officer to advise Chief Officers further on the need to declare:</p> <ul style="list-style-type: none"> <li>close personal associations with other officers members,</li> </ul> <p>MO to undertake review of Members holding directorships when appointed onto outside bodies.</p> <p>Update Dispensations forms for Members</p>	<p>Further embedding of behaviour with Integrity</p> <p>Regular reminders and advice is sent by the MO to Staff via internal News update emails.</p> <p>Monitoring and review by MO of Chief Officers' declarations annually.</p> <p>Update Dispensations forms for Members completed.</p>	EP	March 2021
A1.4 Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	<p>Register of Contracts to be published</p> <p>Delegated decision Register to be published.</p> <p>Continued monitoring of the Mandatory e-learning take up of Whistleblowing module. Currently lower than required.</p> <p>Ethics/Governance training to be offered</p>	<p>Further embedment of Standard Operating principles</p> <p>In progress.</p>	<p>EP</p> <p>AR</p>	March 2021



Issue	Action	Outcome / Progress to Date	Lead Officer	Completion Date
B1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	Complete the Review of the FOI publication Scheme.	Demonstrating commitment to openness In progress.	MNH	March 2021
B3.1 Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	Complete the review of the Community Engagement Policy to include provisions for how stakeholders are engaged in future.	Improving Community Engagement Under review.	MS	March 2021
C1.5 Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	Manage Service User expectations through Publication of service performance including costs and value for money data	Managing Service user Expectations In progress.	CAJ	March 2021

Note: Any actions not fully completed by the completion date will be carried forward into the 2020-2021 Action Plan.

## 6 Agreed action plan for matters to be considered during 2021-2022

Following the implementation and review of the CIPFA/SOLACE Delivering good governance in Local Government Framework (2016) the following issues have been identified for resolution during 2021-2022:

Issue	Action	Outcome	Lead Officer	Completion Date
A1.1 Ensuring Members and Officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<ul style="list-style-type: none"> <li>○ Monitoring Officer to advise Officers further on the need to declare interests in organisations which actually, or may conflict with Council interests including:               <ul style="list-style-type: none"> <li>• Contractors;</li> <li>• School Governors;</li> <li>• Clerk to Town and Community councils;</li> <li>• Members of Town and Community councils; and</li> <li>• School Governors.</li> </ul> </li> </ul> <p>MO and CLO Democratic Services to continue to undertake review of Members holding directorships, trusteeships, or memberships when appointed onto outside bodies, and committees, Monitoring Officer to consider member feedback and added value and continue to update Code of Conduct for Officers and Members.</p> <ul style="list-style-type: none"> <li>○ Monitoring Officer to advise Officers further on the need to declare</li> </ul>	Further embedding of behaviour with integrity.	EP/LE	March 2022

Issue	Action	Outcome	Lead Officer	Completion Date
	<ul style="list-style-type: none"> <li>• Directorships; and</li> <li>• Other employment</li> </ul> Including Whether conflicting with the Council's interests or not. Monitoring Officer to continue to advise Members further on the need to declare hospitality/gifts.  Monitoring Officer to advise Chief Officers further on the need to declare: <ul style="list-style-type: none"> <li>• close personal associations with other Officers or Members,</li> </ul>			
A1.3 Leading by example and using these standard operating principles or values as a framework for decision making and other actions	Leadership Group to be updated on e-learning with HR reporting to Leadership Group (A mandatory E-learning training module on the Well-Being of Future Generations Act 2015 ('WFGA') must be completed by all Staff)  Continue to review Constitution to reflect legislative changes and according to need.	Further embedment of Standard Operating principles and leading by example for effective decision-making.  Compliance with new legislation.	GE  EP/HS	March 2022  March 2022
A1.4 Demonstrating, communicating and embedding the standard operating principles or values through	<ul style="list-style-type: none"> <li>• Council making preparations to comply with Local Government and Elections (Wales) Act 2021 regarding Audit Committee (terms of reference, remit and composition to be</li> </ul>	Compliance with new legislation	EP/AW/HS	March 2022

Issue	Action	Outcome	Lead Officer	Completion Date
<p>appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>reviewed): Changes include: - change of name to 'Governance and Audit Committee'; - Membership to be 2/3 Councillors and 1/3 Lay Persons (as defined in Act); - Committee duty to appoint own Chair and Deputy Chair; - Chair must be lay person; - Deputy Chair must not be member of Local Authority Executive; and - in absence of Chair &amp; Deputy only non-executive Members can chair.</p> <ul style="list-style-type: none"> <li>• Delegated decision Decisions Register to be published.</li> <li>• Continued monitoring of the Mandatory e-learning take up of Whistleblowing module. Currently lower than required.</li> <li>• The Complaints / Compliments policy is to be reviewed during 2020-2021.</li> </ul> <p>Ethics / Fraud training to be provided.</p>	<p>Further embedment of Standard Operating principles and communication through publication of documents.</p> <p>Further embedment of Standard Operating principles and leading by example.</p> <p>Further embedment of Standard Operating principles.</p> <p>Further embedding of behaviour with integrity.</p>	<p>AR</p>	<p>March 2022</p>

Issue	Action	Outcome	Lead Officer	Completion Date
A3.1 Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<ul style="list-style-type: none"> <li>The Local Government and Elections (Wales) Act 2021 shall have an effect on corporate bodies, including the Council, and preparations for compliance are underway.</li> </ul>	Compliance with legislation to demonstrate strong commitment to rule of law.	EP	March 2022
B1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	FOI policy and EIR policy both updated. Review of the FOI Publication Scheme is in progress.	Demonstrating commitment to openness.	LE/AW/MNH	March 2022
B3.1 Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<p>Due to the COVID-19 pandemic, decisions currently need to be made by Gold Command for emergency reasons, therefore it is impossible to consult physically in the community at present for many services, and consequently the scoring has been amended to reflect this.</p> <p>Community Engagement Policy is under review and will include provisions for how stakeholders are engaged in future.</p>	Improving Community Engagement.	AW/MS	March 2022
B3.4 Implementing effective feedback mechanisms in order to demonstrate how their views have	Further work on monitoring feedback is required and the new Equalities and Engagement post will address this	Developing monitoring of feedback in new Equalities and Engagement post, and improving Community Engagement.	AW/MS	March 2022

Issue	Action	Outcome	Lead Officer	Completion Date
been taken into account				
C1.5 Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	Publicise service performance including costs and value for money data	Satisfy service users' expectations	AW	March 2022
D2.3 Considering and monitoring risks facing each partner when working collaboratively including shared risks	Account will be taken of legislative changes e.g. Local Government and Elections (Wales) Act 2021.	Risk management and compliance with legislation to demonstrate commitment to rule of law.	AW/EP	March 2022
D2.5 Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured	Further work is progressing to link Local Performance measures to all level 1 Business plan Objectives.	Development of performance indicators for accurate evaluation of performance of services and projects.	AW	March 2022
F3.5 Ensuring an audit committee or equivalent group or function which is independent of the executive and	Audit Committee terms of reference, remit and composition to be reviewed in light of Local Government and Elections (Wales) Act 2021.	Ensuring Audit Committee continued compliance with legislation, assurances.	EP/AR /HS	March 2022

Issue	Action	Outcome	Lead Officer	Completion Date
<p>accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon</p>	<p>Changes include:</p> <ul style="list-style-type: none"> <li>- change of name to 'Governance and Audit Committee;</li> <li>- Membership to be 2/3 Councillors and 1/3 Lay Persons (as defined in Act);</li> <li>- Committee duty to appoint own Chair and Deputy Chair;</li> <li>- Chair must be lay person;</li> <li>- Deputy Chair must not be member of Local Authority Executive; and</li> <li>- in absence of Chair &amp; Deputy only non-executive Members can chair.</li> </ul> <p>Size of Audit Committee review in progress. Lay member recruitment to be undertaken during 2020/21, taking into account any Local Government &amp; Elections (Wales) 2020 Act requirements and termination of term of office of current lay member;</p>			
<p>G1.1 Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p>	<p>Council preparing for implementation of changes to be introduced by Local Government and Elections (Wales) Act 2021, which include for Council to consult and publish a public participation strategy with the aim of increasing public participation in local democracy, and improving</p>	<p>Improving Community Engagement and openness.</p>	<p>LE/AM</p>	<p>March 2022</p>

Issue	Action	Outcome	Lead Officer	Completion Date
	transparency;			
G3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	Monitoring of progress of Actions/recommendations	Assurances and managing risk.	EP/AW/SJ	March 2022

## 7 Conclusion

The annual governance framework review measured progress against the new CIPFA/SOLACE Delivering Good Governance Framework (2016) and overall governance arrangements were found to be acceptable or good.

The Council has made good progress during the year with recorded achievements against each of the seven core principles.

The development of a Local Code of Corporate Governance bringing together all the local codes and documents together in one document provides assurance that there are clear governance arrangements in place. This enabled the Council to react swiftly to the threats presented by the coronavirus pandemic.

The Council has identified a number of minor issues for resolution during 2021/22 and has set these out in an action plan for completion (as above). The actions taken as a direct result of the pandemic will be recorded, as appropriate.

## 8 Certification of Annual Governance Statement

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness throughout the 2021/22 year and will monitor their implementation and operation as part of our next annual review. It is acknowledged that the pandemic may hinder some of these steps, which will be addressed and reported accordingly to Council in the 2021/22 AGS.