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| Meeting of:  | <b>Audit Committee</b>  |
| Date of Meeting:   | <b>Thursday, 24 September 2020</b>  |
| Relevant Scrutiny Committee:   | Corporate Performance and Resources   |
| Report Title:  | Audit of the 2019/20 Financial Statements - Reporting to Those Charged with Governance  |
| Purpose of Report:   | To present to those charged with governance the report of the Auditor General for Wales following the audit of the Council's Financial Statements for 2019/20 |
| Report Owner:  | Report of the Managing Director   |
| Responsible Officer:   | Head of Finance/ Section 151 Officer  |
| Elected Member and Officer Consultation:   | None  |
| Policy Framework:  | The proposals in this report are in accordance with Policy Framework and Budget   |
| <p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The audit of the 2019/20 Statement of Accounts is in the final stages of completion.</li> <li>• The latest 2019/20 Statement of Accounts incorporating all agreed amendments is now presented to Audit Committee.</li> <li>• As a result of the impact of the Covid 19 Pandemic the Audit deadline was changed from 15 September 2020 to 30 November 2020.</li> <li>• It is proposed that the audited Statement of Accounts are signed by the Auditor General on 8th October.</li> <li>• There are items of correspondence that remain outstanding which are not material to the accounts, however once Audit Wales has concluded their review of these matters the accounts will be required to be re-approved.</li> </ul> |   |

## **Recommendations**

1. That the report of the Appointed Auditor on the audit of the Council's Financial Statements for 2019/20 be approved and the Financial Statements including the Annual Governance Statement and Final Letter of Representation be recommended for signature by those authorised.
2. That a delegation is grant to Audit Committee to re-approve the accounts provided that the resolution to the elector's correspondence has no impact on the final accounts as considered at Council on 5th October 2020.

## **Reasons for Recommendations**

3. To ensure that the members of the Audit Committee, as those charged with governance, have considered the results of the audit of the Councils Financial Statements for 2019/20.
4. To ensure the accounts for 2019/20 are closed once Audit Wales has completed their review of the elector's correspondence.

## **1. Background**

- 1.1 The Council is responsible for the preparation of the Financial Statements that presents fairly its financial position as at 31st March 2020. The Auditor General for Wales is responsible for reporting whether, in his opinion, this is indeed the case. The audit was undertaken by the Audit Wales (AW), as the Council's Engagement Lead, on behalf of the Appointed Auditor.
- 1.2 The Statement of Accounts for 2019/20 was prepared by the 30th June 2020 and on 29th July 2020 the unaudited copy was presented to this Committee.
- 1.3 With the audit of these Financial Statements now substantially complete, a report detailing the key matters arising from the audit must be reported by the Auditor General for Wales to those charged with governance, in accordance with the International Standard on Auditing (ISA 260) this is attached at Appendix B. In line with its terms of reference, the Audit Committee represents the appropriate body to which this report must be communicated.

## **2. Key Issues for Consideration**

- 2.1 The latest 2019/20 Statement of Accounts incorporating all currently agreed amendments is attached at Appendix A.
- 2.2 The report of the Auditor General for Wales and the final Letter of Representation is attached at Appendix B.
- 2.3 The provisional findings of Audit Wales on behalf of the Appointed Auditor on the audit of the Financial Statements are that :

- Audit Wales intend to issue an unqualified audit opinion on this year's accounts.
- Whilst the Audit Wales opinion is unqualified, they have included an Emphasis of Matter paragraph. This is in relation to material valuation uncertainty regarding two areas of the accounts:

Property, Plant & Equipment: your external valuer has expressed material valuation uncertainty concerning the 2019-20 land and building valuations; and  
Valuation of pension fund assets: material valuation uncertainty exists in respect of the Council's share of the pooled property investments within the Cardiff and Vale pension fund.

- Both issues are as a result of the Covid-19 pandemic and are impacting on many other organisations this year.
- On 8th October 2020, the Appointed Auditor intends to provide an opinion on the 2019/20 financial statements. However, at the time of providing his opinion, he is unlikely to be able to certify the completion of the audit due to a number of issues raised by local government electors which remain outstanding at that date. Whilst Audit Wales need to review the matters further, they are satisfied that these matters do not have a material effect on the financial statements.
- Following the conclusion of the above issues, the 2019/20 financial statements will need to be re-approved by the Council. As soon as this is completed, the intention would be for Audit Wales to re-issue their opinion on the 2019/20 financial statements coupled with the certificate to close the audit. A recommendation is included in the report that given the immaterial nature of these correspondence issues, a delegation is made by Council to Audit Committee to allow Audit Committee to approve the accounts provided that the resolution to the elector's correspondence has no impact on the final accounts as considered at Council on 5th October 2020.
- There is one recommendation arising from the audit as set out in Appendix 4 to the Audit Wales ISA260 report shown in Appendix B in respect of the recording of Members close family's interests. Following discussion with the Council's Monitoring Officer an email has been sent to Members following the Council's AGM on 14th September 2020 to capture this additional information.
- There were some misstatements in the accounts that have now been corrected by management. None of these misstatements were material and they are summarised, for information, in Appendix 3 of the Audit Wales ISA260 report shown in Appendix B.
- There are no misstatements that remain uncorrected.

**2.4** It is the intention of the Appointed Auditor to issue an unqualified audit report on the Financial Statements once the relevant Council Officers have provided a signed Final Letter of Representation.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** The Council's revenue budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan 2016-2020 through the 4 well being outcomes.

### **4. Resources and Legal Considerations**

#### **Financial**

- 4.1** As stated in the body of the report

#### **Employment**

- 4.2** None as a direct consequence of this report

#### **Legal (Including Equalities)**

- 4.3** The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended).

### **5. Background Papers**

None



VALE of GLAMORGAN COUNTY BOROUGH COUNCIL  
**STATEMENT OF ACCOUNTS 2019/20**

Year Ended 31 March 2020



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## Statement of Accounts 2019/20 Year Ended 31st March 2020

### Narrative Report

#### Introduction

This document presents the Statement of Accounts for The Vale of Glamorgan County Borough Council for 2019/20 and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The Vale of Glamorgan Council is a Welsh Unitary Authority and was created on 1<sup>st</sup> April 1996 by virtue of the Local Government (Wales) Act 1994.

The Council serves one of Wales' most diverse local authority areas, covering rural and coastal communities and busy market towns. It has a population of around 130,000, making it the 12<sup>th</sup> largest authority by population size of the 22 local authorities in Wales.

It provides a wide range of services including Education, Social Services, Highways, Waste collection and Council Housing.

The narrative report provides insight into the Council's funding and expenditure during the year, the key financial issues and pressures and a look to future years.

#### Governance Structure

The Vale of Glamorgan Council has 47 elected members, representing 23 wards. The current political make up of the Council is 15 Conservative, 14 Labour, 8 Vale Independents Group, 4 Plaid Cymru, 4 Llantwit First Independent and 2 Independent. The Council is led by the Leader and Cabinet, a body of 7 Councillors (including the Leader) that makes key decisions about policy and budget. The Council also has a number of committees that fulfill various scrutiny, statutory oversight and regulatory functions including an Audit Committee. The Audit Committee is made up of 7 members plus 1 lay member and has a responsibility to review the Council's annual statement of accounts.

The Council's Chief Officers are divided into Directors, Heads of Service and Operational Managers. As service managers they make recommendations to and are held accountable by the Cabinet.

Due to the Covid 19 pandemic, all Council meetings have been cancelled, with Cabinet on 23rd March 2020 being the final meeting of the financial year. It was necessary to ensure that the Council continued to have robust governance arrangements in place to ensure where possible business continuity and at the same time being mindful of emerging emergency legislation from Central Government and Regulations from Welsh Government and the circumstances within which the Council functions. Managing Director's delegated emergency powers are now being used to allow matters which are deemed to require immediate action to be resolved.

#### Summary of Financial Performance – Revenue

The financial position for the Council is regularly reported to Cabinet and Scrutiny Committees during the year. The Closure of Accounts report for 2019/20 will be reported to the first available Cabinet meeting once they reconvene.

The 2019/20 settlement from Welsh Government was again financially challenging for the Council. The Council received Revenue Support Grant of £110.31M and National Non-Domestic Rate of £41.76M from Welsh Government. This represented a reduction in funding of £1.181M (0.77%) from the previous year after taking into account adjustments. Based on this funding level, the Council was ranked 21<sup>st</sup> out of 22 councils in Wales (21<sup>st</sup> in 2018/19) on a funding per head of population, which is £168 per head below the Welsh average (£160 per head below in 2018/19). As a consequence, a savings target of £3.020M (excluding Schools) was set for the year and services were able to find actual savings to the value of £2.383M. The savings target for 2019/20 for Neighbourhood Services was £932k however several of the proposed savings will take a long time to implement and £428k of the savings target was achieved during 2019/20. This shortfall was funded by the use of reserves, however, in recognition of the long lead times associated with achieving some of the programmed savings and the potential reduction to service provision associated with some of the proposals, additional funding of £400k has been included in the budget for 2020/21 to alleviate some of these issues.

The anticipated level of funding to be received from Council Tax in 2019/20 was £74.028M. This was based on a Band D rate of £1,245.06, excluding Police and Town and Community Council precepts. This is ranked 17<sup>th</sup> highest in Wales and is £49.16 below the Welsh average.

The Council's revenue budget outturn for 2019/20 is shown in the table below along with revenue net transfers to reserves.

|                                 | <b>Amended Revenue Budget</b> | <b>Actual</b>  | <b>Variance +Favourable<br/>( ) Adverse</b> | <b>Net Transfer to /(From) Reserve</b> |
|---------------------------------|-------------------------------|----------------|---|--|
|                                 | <b>£'000</b>                  | <b>£'000</b>   | <b>£'000</b>                                | <b>£'000</b>                           |
| Learning & Skills               | 109,851                       | 109,851        | 0   | (2,170)                                |
| Social Services                 | 66,825                        | 66,813         | +12   | +925                                   |
| Environment and Housing         | 31,785                        | 31,777         | +8  | (2,759)                                |
| Managing Director and Resources | 6,149                         | 6,139          | +10   | (215)                                  |
| General Policy                  | 13,488                        | 12,340         | +1,148                                      | +4,959                                 |
| Council Tax Surplus             | 0                             | 0              | 0   | +2,637                                 |
| Use of Reserves                 | (2,000)                       | (822)          | (1,178)                                     | (822)                                  |
| <b>TOTAL</b>                    | <b>226,098</b>                | <b>226,098</b> | <b>0</b>                                    | <b>+2,555</b>                          |

A number of the Council's budgets continue to be under considerable pressure.

- In Learning and Skills, the key emerging challenge for schools is the increasing number of children and young people who are displaying very complex social, emotional and mental health difficulties. In order to meet this need two specialist resource bases have been developed at Gladstone Primary School in partnership with Ysgol Y Deri. The pupil placements budget is also under pressure and out-turned with an adverse variance. Another pressure area is the School Transport budget. Local

Education Authorities have a statutory duty to provide free school transport for pupils of statutory school age who reside beyond walking distance to the nearest appropriate school in addition to a statutory duty to provide transport for pupils with Additional Learning Needs (ALN) who require access to specialist provision. The adverse variance was as a result of the provision of additional routes due to increased demands for ALN pupils and mainstream pupils, provision of taxis due to catchment issues, payments to parents where transport cannot be provided due to the child's needs or because no other transport option is available and increased costs due to tendering/retendering contracts which resulted in an increase in costs. Schools have drawdown £1.8M of the balances they hold during 2019/20.

- In Social Services, the Children's External Placements budget has overspent due to the higher cost of placements for children with significant complex behaviour.
- Environment and Housing were not able to meet all their savings targets in the year as previously stated. There was pressure on employee and transport budgets due to downtime involved in travelling to Cardiff to dispose of waste. The recent changes to the waste collection service to move to a source separated method of collection has required further resource in the initial period of service change. There was also pressure on the budget due to the high price that had been paid to treat our co-mingled recycling. The price has increased steadily over the last couple of years since China banned elements of recycling such as plastic into the country. In addition, significant energy price increases has put pressure on the street lighting energy budget. Although efforts have been made over previous years to turn a high percentage of street lighting to LED there have been significant increases to the cost of energy with a 13% increase in 2018/19 and a further 9.5% in 2019/20.

Elsewhere, the main areas of underspend related to capital charges and the effective collection of Council Tax. During the year the projected underspend of £6.5M was transferred into reserve with £2.75M transferred into the Neighborhood Services reserve, £1m into the Education Pressures reserve, £1.25M into a new reserve for Green Infrastructure and Climate Change, £1M into the Council Building Fund and £500k into the Bad Weather reserve.

The opening balance on the Council Fund as at 1<sup>st</sup> April 2019 was £13.636M with a planned drawdown during the year of £2M. £1.178M was transferred into the reserve during the year so the net impact was a reduction in the reserve of £822k and therefore the fund stood at £12.814M as at 31<sup>st</sup> March 2020. A further £1M is planned to be drawdown from the fund in 2020/21 however further drawdown may be required as a result of the Covid 19 pandemic. Whilst there is no set requirement for the minimum level for the Council Fund, some commentators use 5% of the net budget as a guide. For the Vale this is around £12M, however, in view of the prudent approach the Council takes with regard to Specific Reserves, it is considered that £10M should be the minimum level for this reserve. The Council also holds earmarked reserves which were used in 2019/20 and stood at £66.8M (excluding Joint Committees and HRA) as at 31<sup>st</sup> March 2019 and increased by £2.5M in year. These reserves are allocated for both capital and revenue purposes.

As the impact of the Covid 19 pandemic did not take full effect until mid March 2020, there has been no major impact on the 2019/20 financial position of the Council.

**Summary of Financial Performance – Capital**

The General Capital Funding received from Welsh Government in 2019/20 was £6.643M which was a £1.138M (20.6%) increase in funding from 2018/19. This funding is partly through grant and partly an allocation for borrowing, the financing costs of which are supported by Welsh Government funding. The allocation is 14<sup>th</sup> highest in Wales. It is therefore necessary for the Council to fund its capital programme through a variety of sources however it continued to fund most of its capital programme from ‘cash’ resources as opposed to new borrowing.

In 2019/20 the Council spent £52.9M on capital as shown by service area in the table below:

| <b>Expenditure Incurred on Services</b>       | <b>£'000</b> | <b>£'000</b>  |
|---|--------------|---------------|
| Education & Schools                           | 20,574       |               |
| Libraries                                     | 14           |               |
| Catering                                      | 69           |               |
| <b>Total Learning &amp; Skills</b>            |              | 20,657        |
| Children and Youth Services                   | 43           |               |
| Adult Services                                | 570          |               |
| <b>Total Social Services</b>                  |              | 613           |
| Neighbourhood and Transport Services          | 11,251       |               |
| Public Sector Housing (HRA)                   | 9,539        |               |
| <b>Total Environment and Housing Services</b> |              | 20,790        |
| Resources                                     | 3,056        |               |
| Regeneration and Planning                     | 6,708        |               |
| Private Sector Housing                        | 1,064        |               |
| <b>Total Managing Director and Resources</b>  |              | 10,828        |
| <b>Total Capital Expenditure 2019/20</b>      |              | <b>52,888</b> |

Of the capital expenditure incurred in the year, £15M was spent on the 21<sup>st</sup> Century Schools Band B investment programme. £4M was incurred during the year on completing a large highways scheme at Five Mile Lane, which is wholly funded by Welsh Government grant. The Council undertook further Highways Improvements during the year with a value of over £2.5M. The Council has started to implement its new Waste Strategy which included the purchase of new vehicles and changes to its waste facilities with spend of over £3M during the year funded by Welsh Government grant. The Council achieved Welsh Housing Quality Standard (WHQS) by the end of March 2018, however, further capital investment of over £9M was made as part of a continuing Housing Improvement Programme. Works to upgrade the Council’s Leisure Centres was undertaken during the year with expenditure of over £1M.

The following table shows the resources used in 2019/20 to fund the capital programme :

| <b>Capital Expenditure Financed By :</b>         | <b>£'000</b>  |
|--|---------------|
| General Capital Funding Grant – Welsh Government | 3,230         |
| General Capital Funding Loan – Welsh Government  | 3,413         |
| Other Loans                                      | 2,458         |
| Specific Grants – Welsh Government               | 28,843        |
| Major Repairs Allowance – Welsh Government       | 2,760         |
| Other Grants/Contributions                       | 6,365         |
| Capital Receipts                                 | 1,435         |
| Revenue/Reserves                                 | 4,384         |
| <b>Total Capital Expenditure 2019/20</b>         | <b>52,888</b> |

As at 31<sup>st</sup> March 2020 the Council held general capital receipts with a value of £7.5M, with a further £7.6M being ringfenced for Education and £1.33M being ringfenced for Social Services and £0.04M for vehicles.

The Council's assets at the 31 March 2020 have a book value of £691.5M. The Council Dwellings and Other Land and Buildings etc. are revalued on a rolling 5 year programme normally by a MRICS external valuer. During 2019/20, all assets excluding Education, Social Services and HRA were revalued. As a result of the Covid 19 pandemic the valuers have advised that less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. Given the unknown future impact that Covid 19 might have on the real estate market, they recommend that the Council keeps the valuation of its property portfolio under frequent review.

#### Housing Revenue Account (HRA)

The Council still retains its stock of Council Houses and as at 31<sup>st</sup> March 2020 had 3,867 dwellings. The HRA transferred £5.28M into its reserve in 2019/20 leaving a balance on the HRA reserve of £7.948M as at 31<sup>st</sup> March 2020. This balance is higher than planned partly as the capital programme was not able to proceed as planned and also due to the receipts from a higher number of Council house sales in 2019/20 (£964k) which was used to fund capital expenditure and therefore resulting in a lower revenue contribution to capital expenditure being required. A review of the level of this reserve will be undertaken as part of the production of the next Housing Business Plan. The Housing Business Plan, which incorporates a detailed financial forecast in the form of a 30 year financial model, is produced on an annual basis and the latest version was approved by Council on 26<sup>th</sup> February 2020. The Council has invested over £100M in its housing stock between 2012/13 and 2019/20 and all its dwellings reached Welsh Housing Quality Standard by March 2018.

#### Treasury Management – Borrowing and Investments

Before the commencement of the 2019/20 financial year, the Authority approved the Treasury Management Strategy /Policy Statement which deals with the treasury functions of the Authority and covers both borrowing and investments. The report was approved by Council on 27<sup>th</sup> February 2019 and can be accessed on the Council Website; [Treasury Management Strategy 2019/20](#).

The Local Government Act 2003 requires a local authority to set its authorised borrowing limit for the following year. The original limit set for this Authority for 2019/20 was £201.556M, which was revised to £197.641M during the year. The actual external borrowing as at 31 March 2020 excluding adjustments was £153.91M as shown below.

|   | 31 March 2019  | 31 March 2020  |
|---|----------------|----------------|
| <b>Source of Loan</b>                       | <b>£'000</b>   | <b>£'000</b>   |
| Public Works Loan Board (PWLB)              | 146,445        | 145,210        |
| Long Term Loans                             | 8,600          | 8,600          |
| Other                                       | 100            | 100            |
| <b>Total External Borrowing</b>             | <b>155,145</b> | <b>153,910</b> |
| Accrued Interest                            | 1,234          | 1,186          |
| Accounting Adjustments                      | (304)          | (242)          |
| <b>Total Borrowing as per Balance Sheet</b> | <b>156,075</b> | <b>154,854</b> |

The Council has a cautious approach to risk, with its priority to safeguard capital. The majority of the its investments are with UK Local Authorities and the Debt Management Account Deposit Facility (DMADF), which is guaranteed by the UK Government. The investment position at 31<sup>st</sup> March 2020 is set out below and includes investments held overnight as at 31<sup>st</sup> March 2020 with the DMADF which are included under the Cash and Cash Equivalent heading in the Balance Sheet.

|  | 31 March 2019 | 31 March 2020 |
|--|---------------|---------------|
| <b>Short Term Investments Held By</b>                    | <b>£'000</b>  | <b>£'000</b>  |
| UK Debt Management Account Deposit Facility (DMADF)      | 8,100         | 11,000        |
| UK Local Authorities                                     | 81,000        | 87,000        |
| <b>Total Short Term Investments</b>                      | <b>89,100</b> | <b>98,000</b> |
| Short Term Investment Accrued Interest                   | 67            | 105           |
| Short Term Investment Joint Committees                   | 254           | 0             |
| <b>Total Short Term Investments as per Balance Sheet</b> | <b>89,421</b> | <b>98,105</b> |

Considering the impact of the Covid 19 pandemic on the Council's Treasury Management, the majority of the Council's borrowing is fixed rate and held with PWLB. Although following a review of the Council's current Treasury position it is now not expected that significant new borrowing would be required during 2020/21, should the Council decide to proceed with planned borrowing as set out in Treasury Management Strategy, PWLB borrowing rates have not moved significantly since March 2020. The level of uncertainty in the future path of economic growth, unemployment, fiscal and monetary policy makes it very difficult to accurately assess the impact on the investments held by the Council, however, investments continue to be placed primarily with other UK Local Authorities and the UK Government and whilst returns have been impacted the investments are exposed to minimal credit risk.

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### Joint Committees and Joint Arrangements

Since the 2015/16 financial year the Council has been Host Authority for two Joint Committees - the Shared Regulatory Service commencing on 1<sup>st</sup> May 2015 and the Vale, Valleys & Cardiff Adoption Collaborative Service which commenced on 1<sup>st</sup> June 2015. The Authority is also party to a number of other Joint Committees such as Prosiect Gwyrdd, Central South Consortium and the Glamorgan Archives. The Council's share of these transactions and balances are incorporated in these financial statements. Separate financial statements are also available. In addition, the Council participates in a number of shared services.

### City Deal

The Vale of Glamorgan Council is a participant in the Cardiff Capital Region City Deal which has been established between the UK Government, the Welsh Government and 10 local authorities in South East Wales. The agreement with the UK and Welsh Governments' provides £1.2 billion of which £734m is allocated to the Metro, with the balance of £495m being made available as the Wider Investment Fund. The Regional Cabinet has stated that the high level aims of the Wider Investment Fund are the creation of 25,000 new jobs and £4 billion of private sector investment. The Deal will cover a 20 year period.

### Impact of the Current Economic Climate

The financial pressures on the Council continued during 2019/20 and investment income rates still remained low. Rates have fallen even further due to the Covid 19 pandemic and this coupled with the exit from the European Union has led to a high degree of economic uncertainty. The Council will continue to monitor and manage risks as the impact of these issues become clearer during the year.

### Reshaping Services Strategy

The Strategy aims to reshape the Council to enable it to meet the future needs of citizens of the Vale of Glamorgan in the context of unprecedented financial challenges. An update on the programme was presented to Cabinet on 24<sup>th</sup> February 2020 which can be accessed on the Council Website. [Reshaping Services Update](#)

### The Pension Liability

Pensions for non-teaching staff are provided under the Local Government Pension scheme and the Council is a member of the Cardiff and Vale Pension Fund, administered by Cardiff County Council. Employees and employers contribute into the fund, along with investment income and growth generated. A triennial valuation is carried out on the Fund. The value of the pension liability as at 31<sup>st</sup> March 2020 is £268.245M. This value is based on a number of actuarial assumptions and will fluctuate between years. A firm of actuaries is engaged to provide the Cardiff and Vale Pension Fund with expert advice about the assumptions to be applied. The actuarial results for 31<sup>st</sup> March 2020 are based on a roll forward of the triennial valuation carried out as at 31<sup>st</sup> March 2019. The valuation observes that the outbreak of Covid 19 may impact adversely on the ability of the Fund to realise future investment returns. The actuarial valuation acknowledges that the Fund's assets were likely to have fallen in value in March and a corresponding reduction in liability. However, the actuary in consultation with the Cardiff and Vale Pension Fund concluded that because of the long term

## Vale of Glamorgan County Borough Council

nature of the Fund and the level of prudence adopted, that certifying the valuation based on market conditions at the valuation date remained appropriate. The majority of negative market movement took place prior to 31<sup>st</sup> March 2020 and these movements are reflected in the actuarial report.

The Teachers Pension scheme is administered by the Department for Education. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise and therefore no fund assets or liabilities appear in the Council's Balance Sheet.

### Corporate Aims and Objectives

The Council's Performance Management Framework is the mechanism through which key priorities and targets are monitored and realised in order to secure continuous improvement. The Council's Corporate Plan (2016-2020) reflects the requirements of the Well-being of Future Generations (Wales) Act 2015 and identifies 4 Well-being Outcomes and 8 Objectives for the Council. The Corporate Plan is being monitored by Cabinet and Scrutiny Committees on a quarterly basis.

The 4 Well-being Outcomes with the associated 8 Objectives are :-

- An Inclusive and Safe Vale – Citizens of the Vale of Glamorgan have a good quality of life and feel part of the local community
  - Reducing poverty and social exclusion
  - Providing decent homes and safe communities
- An Environmentally Responsible and Prosperous Vale – The Vale of Glamorgan has a strong and sustainable economy and the local environment is safeguarded for present and future generations.
  - Promoting regeneration, economic growth and employment
  - Promoting sustainable development and protecting our environment
- An Aspirational and Culturally Vibrant Vale – All Vale of Glamorgan citizens have opportunities to achieve their full potential.
  - Raising overall standards of achievement
  - Valuing culture and diversity
- An Active and Healthy Vale – Citizens of the Vale of Glamorgan have a good quality of life and feel part of the local community.
  - Encouraging and promoting active and healthy lifestyles
  - Safeguarding those who are vulnerable and promoting independent living

Progress is monitored using a RAG status with Green being on or above target, Amber being within 10% of target and Red missing target by 10% or more. Good progress had been made by quarter 3 towards delivering the key outcomes giving an overall RAG status of Green. The cancellation of all council meetings as a result of the Covid 19 pandemic has meant that the Quarter 3 performance reports have not been considered by any of the Council's Scrutiny Committees in March or Cabinet in April as originally planned. The report was approved under Emergency Powers on 22nd May 2020.

## Vale of Glamorgan County Borough Council

The Council has produced a new Corporate Plan for the period 2020-2025. It is the intention to keep the existing vision and values however 4 new well-being objectives are being included and these are :

- To work with and for our communities;
- To support learning, employment and sustainable economic growth;
- To support people at home and in their community; and
- To respect, enhance and enjoy our environment.

### Looking Forward

A budget of £240.438M was approved by Council on 26<sup>th</sup> February 2020. For the first time in many years the revenue settlement from Welsh Government for 2020/21 was an increase, with a settlement of £161.021M, which represents an adjusted increase of £6.626M (4.29%) over 2019/20. The Council Tax was increased by 4.9% from 1<sup>st</sup> April 2020 with a budget of £79.417M being set for Council Tax during 2020/21. An efficiency target of £247k was set for the year and was at a level which was significantly lower than the targets that had been set in previous years. No savings were approved for Schools. The budget also included a £1M use of the Council Fund reserve.

The full Council report can be accessed on the Council website [Final Proposals for the Revenue Budget 2020/21](#).

At the time the 2020/21 budget was approved, no indication had been received from Welsh Government for future years settlements and it was considered prudent to assume that there may be a flatlined settlement going forward. If Council Tax continues to increase by 4.9% this could result in the possible total shortfall in funding for 2021/22 and 2022/23 of £10.596M. Whilst it had been possible to set efficiency targets at a lower level in 2020/21 this may not be the case going forward and in light of projected levels of shortfall in future years, services were requested to continue to plan ways of achieving further efficiencies which will be innovative and transformational with regards to service delivery. The Reshaping Services Programme will continue to implement the further savings required.

The Council will remain committed to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need.

In December 2018 the Welsh Government announced proposals for an extra £100M of capital funding to be made available for local authorities over 3 years commencing in 2018/19. The General Capital Funding from Welsh Government for 2020/21 is £6.796M which is an increase of £153k (2.3%) from the previous year. The 2020/21 Capital Programme was approved by Council on 26<sup>th</sup> February 2020 and had a gross value of £113.875M with funding from external grants and contributions amounting to £64.906M. The programme is briefly summarised below;

|                                 | <b>2020/21<br/>Net (excluding grants<br/>and contributions)</b> | <b>2020/21<br/>Gross(including grants<br/>and contributions)</b> |
|---------------------------------|---|--|
|                                 | <b>£'000</b>  | <b>£'000</b>   |
| Learning and Skills             | 13,685  | 71,022   |
| Social Services                 | 100   | 100  |
| Environment and Housing         | 30,722  | 36,655   |
| Managing Director and Resources | 3,149   | 4,785  |
| City Deal                       | 1,313   | 1,313  |
| <b>Total Capital Programme</b>  | <b>48,969</b>   | <b>113,875</b>   |

There will be investment in the Council's Schools as part of the 21<sup>st</sup> Century Schools Band B programme of £66.1M, £2.3M in the Council's Vehicles and £1.7M in Highways. Even though the Housing stock meets WHQS, further work is being undertaken which will include Environmental Works and the construction and acquisition of new houses and the programme totals £27M.

The full report can be accessed on the Council Website; [Capital Strategy 2020/21 and Final Capital Proposals 2020/21 to 2024/25](#)

Over the coming years major capital investment will continue for the Band B 21<sup>st</sup> Century Schools programme which will require capital investment between 2020/21 and 2024/25. The currently approved funding included in the capital programme is £117.9M over this period, with a contribution of £63.7M from Welsh Government.

On 1st January 2020, the Council's Catering Service was transferred into a Local Authority Trading Company called the Big Fresh Catering Company. While the company is wholly owned by the Council it will now have the freedom to trade for profit in the market in addition to providing a catering service to schools. The first set of accounts for the new company will cover the period 1<sup>st</sup> January 2020 to 31<sup>st</sup> March 2021.

The full impact of the Covid 19 pandemic is yet to be realised, with the Council having to change the way in which it provides services and arranging for its staff to work from home. This will result in additional expenditure for the Council, not only from a revenue perspective but the commencement of works as part of the capital programme will be delayed or will take longer to deliver due to new working practices being adopted by contractors. This will result in increased cost to schemes. The Council is also losing the ability to generate income which will again have an adverse effect on its financial position. Welsh Government has provided local authorities with a hardship grant where funding can be claimed on a monthly basis to cover the additional expenditure incurred due to the pandemic. The Council is also mindful about the help it can provide to local businesses and has distributed funding made available by Welsh Government for businesses. Vale Heroes have been established to bring together voluntary groups and businesses across the Vale of Glamorgan who are working to help residents affected by the Covid-19 outbreak. The Council is now planning how it will be able to provide services going forward as the lockdown is lifted. The Council considers that it has sufficient balances and reserves, however, they will be put under pressure in the coming

## Vale of Glamorgan County Borough Council

months with the level of uncertainty surrounding future funding. This will be further assessed as part of the Medium Term Financial Plan which will be updated during the coming year.

### Further Information

Further information about the accounts is available from the Resources Service, Civic Offices, Holton Road, Barry, CF63 4RU. This is part of the Council's policy of providing full information about the Council's affairs.

### Introduction to the Financial Statements

#### Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

#### Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Council and the Head of Finance (Section 151 Officer) for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the Mayor as Chairman of the Council at the meeting at which the accounts are approved.

#### Expenditure and Funding Analysis

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

#### Movement in Reserves Statement

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

#### Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and Movement in Reserves Statement.

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (Assets less Liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserve and any statutory limitations on their use (for example the Capital Receipts may only be used to fund Capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services called Unusable Reserves. 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 also reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis and regulations".

### Cash Flow Statement

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

### Annual Governance Statement

The statement sets out the framework within which the Vale of Glamorgan Council manages and reviews internal control. It outlines the components of the framework, including the arrangements for Internal Audit and how the Authority has complied with the various elements of the framework.



**Audit report of the Auditor General to the Vale of Glamorgan Council**

**The independent auditor's report of the Auditor General for Wales to the members of Vale of Glamorgan Council**

**Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. Further information on this note is shown on page 11.

| 2018/19<br>Restated  | Net Expenditure<br>Chargeable to<br>the General<br>Fund and HRA<br>Balances | Adjustments<br>between<br>Funding and<br>Accounting<br>Basis<br>(Note 8) | Net Expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|--|---|--|--|
|  | £'000   | £'000  | £'000  |
| Learning and Skills  | 105,359   | -2838  | 102,521  |
| Social Services  | 61,550  | -822   | 60,728   |
| Visible and Housing Services                                     | 33,301  | -3,653   | 29,648   |
| Housing Revenue Account (HRA)                                    | -1,894  | -3,036   | (4,930)  |
| Managing Director and Resources                                  | 11,485  | 11,052   | 22,537   |
| Net Cost of Services   | 209,801   | 703  | 210,504  |
| Other Income and Expenditure                                     | -214,145  | -12,488  | (226,633)  |
| <b>(Surplus) or Deficit</b>                                      | <b>-4,344</b>   | <b>-11,785</b>   | <b>(16,129)</b>  |
| <b>Opening General Fund and HRA Balance<br/>at 31 March 2018</b> | <b>(79,485)</b>   |  |  |
| Plus Surplus on General Fund and HRA<br>Balance in Year          | (4,344)   |  |  |
| <b>Closing General Fund and HRA Balance<br/>31 March 2019</b>    | <b>(83,829)</b>   |  |  |

Restated to correct the allocation of IAS19 Pension adjustment reversals in the Net Expenditure Chargeable to the General Fund and HRA Balances column.

| 2019/20  | Net Expenditure<br>Chargeable to<br>the General<br>Fund and HRA<br>Balances | Adjustments<br>between<br>Funding and<br>Accounting<br>Basis<br>(Note 8) | Net Expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
|--|---|--|--|
|  | £'000   | £'000  | £'000  |
| Learning and Skills  | 110,842   | -1748  | 109,094  |
| Social Services  | 64,297  | -2,488   | 61,809   |
| Visible and Housing Services                                     | 33,539  | -3,124   | 30,415   |
| Housing Revenue Account (HRA)                                    | -5,281  | -2,161   | -7,442   |
| Managing Director and Resources                                  | 8,271   | 11,794   | 20,064   |
| Net Cost of Services   | 211,668   | 2,273  | 213,940  |
| Other Income and Expenditure                                     | (218,795)   | -22,210  | -241,005   |
| <b>(Surplus) or Deficit</b>                                      | <b>(7,127)</b>  | <b>-19,937</b>   | <b>-27,064</b>   |
| <b>Opening General Fund and HRA Balance<br/>at 31 March 2019</b> | <b>(83,829)</b>   |  |  |
| Plus Surplus on General Fund and HRA<br>Balance in Year          | (7,127)   |  |  |
| <b>Closing General Fund and HRA Balance<br/>31 March 2020</b>    | <b>(90,956)</b>   |  |  |

Vale of Glamorgan County Borough Council  
**Movement in Reserves Statement 2018/19**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. Further information on this statement is shown on page 11.

| Movement in Reserves Statement   | Council Fund  | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|---------------|--------------------|-------------------------|--------------------------|----------------------------------|-----------------------|-------------------|--------------------------|
|  | £'000         | £'000              | £'000                   | £'000                    | £'000                            | £'000                 | £'000             | £'000                    |
| <b>Balance as at 31<sup>st</sup> March 2018</b>                                    | <b>9,634</b>  | <b>69,076</b>      | <b>775</b>              | <b>11,299</b>            | <b>1,851</b>                     | <b>92,635</b>         | <b>218,130</b>    | <b>310,765</b>           |
| Total Comprehensive Income and Expenditure   | 11,523        | (1,551)            | 6,157                   | 0                        | 0                                | 16,129                | 10,655            | 26,784                   |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (7,521)       | 0                  | (4,263)                 | 3,825                    | 4,345                            | (3,614)               | 3,614             | 0                        |
| <b>Increase/(Decrease) in 2018/19</b>  | <b>4,002</b>  | <b>(1,551)</b>     | <b>1,893</b>            | <b>3,825</b>             | <b>4,345</b>                     | <b>12,514</b>         | <b>14,269</b>     | <b>26,784</b>            |
| <b>Balance as at 31<sup>st</sup> March 2019</b>                                    | <b>13,636</b> | <b>67,525</b>      | <b>2,668</b>            | <b>15,124</b>            | <b>6,196</b>                     | <b>105,149</b>        | <b>232,399</b>    | <b>337,548</b>           |

**Movement in Reserves Statement 2019/20**

| Movement in Reserves Statement   | Council Fund  | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied Account | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|---------------|--------------------|-------------------------|--------------------------|----------------------------------|-----------------------|-------------------|--------------------------|
|  | £'000         | £'000              | £'000                   | £'000                    | £'000                            | £'000                 | £'000             | £'000                    |
| <b>Balance as at 31<sup>st</sup> March 2019</b>                                    | <b>13,636</b> | <b>67,525</b>      | <b>2,668</b>            | <b>15,124</b>            | <b>6,196</b>                     | <b>105,149</b>        | <b>232,399</b>    | <b>337,548</b>           |
| Total Comprehensive Income and Expenditure   | 16,258        | 2,669              | 8,136                   | 0                        | 0                                | 27,063                | (32,888)          | (5,825)                  |
| Adjustments between accounting basis and funding basis under regulations (Note 10) | (17,080)      | 0                  | (2,856)                 | 1,351                    | (2,492)                          | (21,077)              | 21,077            | 0                        |
| <b>Increase/(Decrease) in 2019/20</b>  | <b>(822)</b>  | <b>2,669</b>       | <b>5,280</b>            | <b>1,351</b>             | <b>(2,492)</b>                   | <b>5,986</b>          | <b>(11,810)</b>   | <b>(5,825)</b>           |
| <b>Balance as at 31<sup>st</sup> March 2020</b>                                    | <b>12,814</b> | <b>70,194</b>      | <b>7,948</b>            | <b>16,475</b>            | <b>3,704</b>                     | <b>111,135</b>        | <b>220,588</b>    | <b>331,723</b>           |

**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. Further information is shown on page 11.

| 2018/19        |                |                 | Expenditure on Services  | 2019/20        |                |                 |
|----------------|----------------|-----------------|--|----------------|----------------|-----------------|
| Gross Expt.    | Income         | Net Expt.       |  | Gross Expt.    | Income         | Net Expt.       |
| £'000          | £'000          | £'000           |  | £'000          | £'000          | £'000           |
| 132,738        | 30,217         | 102,521         | Learning and Skills  | 139,315        | 30,220         | 109,095         |
| 75,114         | 14,385         | 60,729          | Social Services  | 79,160         | 17,350         | 61,809          |
| 46,151         | 16,503         | 29,648          | Visible and Housing Services   | 45,520         | 15,103         | 30,417          |
| 14,986         | 19,916         | (4,930)         | Housing Revenue Account (HRA)  | 13,956         | 21,399         | (7,442)         |
| 69,252         | 46,716         | 22,536          | Managing Director and Resources  | 67,061         | 46,998         | 20,063          |
| <b>338,241</b> | <b>127,737</b> | <b>210,504</b>  | <b>Cost of Services</b>  | <b>345,012</b> | <b>131,070</b> | <b>213,942</b>  |
|                |                |                 | <b>Other operating expenditure</b>   |                |                |                 |
| 2,667          | 0              | 2,667           | Town and Community Council Precepts  | 2,920          | 0              | 2,920           |
| 13,688         | 0              | 13,688          | South Wales Police Authority   | 15,311         | 0              | 15,311          |
| 6,006          | 0              | 6,006           | South Wales Fire Authority   | 6,048          | 0              | 6,048           |
| 95             | 0              | 95              | Other Levies and Contributions   | 94             | 0              | 94              |
| 0              | 1,088          | (1,088)         | (Gains)/losses on the disposal of non-current assets                                 | 0              | 985            | (985)           |
|                |                |                 | <b>Financing and investment income and expenditure</b>                               |                |                |                 |
| 7,300          | 0              | 7,300           | Interest payable and similar charges   | 7,280          | 0              | 7,280           |
| 5,419          | 0              | 5,419           | Net interest on defined benefit liability  | 5,003          | 0              | 5,003           |
| 0              | 635            | (635)           | Interest receivable and other income   | 0              | 942            | (942)           |
|                |                |                 | <b>Taxation and non-specific grant income</b>  |                |                |                 |
| 0              | 78,020         | (78,020)        | Council Tax income (Note 13)   | 0              | 84,956         | (84,956)        |
| 0              | 40,744         | (40,744)        | Non domestic rates (Note 14)   | 0              | 41,760         | (41,760)        |
| 0              | 111,736        | (111,736)       | Revenue Support grants   | 0              | 110,311        | (110,311)       |
| 0              | 29,585         | (29,585)        | Capital grants and contributions   | 0              | 38,707         | (38,707)        |
| <b>373,416</b> | <b>389,545</b> | <b>(16,129)</b> | <b>(Surplus) or Deficit on the Provision of Services</b>                             | <b>381,668</b> | <b>408,731</b> | <b>(27,063)</b> |
|                |                | (6,591)         | (Surplus)/Deficit on revaluation of non current assets (Note 15)                     |                |                | (9,681)         |
|                |                | 4,826           | Impairment losses on non-current assets charged to the Revaluation Reserve (Note 15) |                |                | 2,537           |
|                |                | (8,890)         | Remeasurements of the net defined benefit liability/(asset) (Note 26)                |                |                | 37,852          |
|                |                | 0               | Transfer in/out of the net defined benefit liability/asset (Note 26)                 |                |                | 2,180           |
|                |                | <b>(10,655)</b> | <b>Other Comprehensive Income and Expenditure</b>                                    |                |                | <b>32,888</b>   |
|                |                | <b>(26,784)</b> | <b>Total Comprehensive Income and Expenditure</b>                                    |                |                | <b>5,825</b>    |

**Balance Sheet as at 31<sup>st</sup> March 2020**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (Assets less Liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: Usable and Unusable Reserves. Further information is shown on page 11 of this report.

| <b>31 March 2019</b> |  | Notes | <b>31 March 2020</b> |
|----------------------|--|-------|----------------------|
| <b>£'000</b>         |  |       | <b>£'000</b>         |
| 653,497              | Property, Plant and Equipment                    | 15    | 691,508              |
| 608                  | Intangible Assets                                |       | 207                  |
| 2                    | Long Term Investments                            | 19    | 2                    |
| 236                  | Long Term Debtors                                | 19    | 1,166                |
| <b>654,343</b>       | <b>Long Term Assets</b>                          |       | <b>692,883</b>       |
| 81,321               | Short Term Investment                            | 19    | 87,105               |
| 168                  | Assets Held for Sale                             | 17    | 0                    |
| 404                  | Inventories                                      |       | 441                  |
| 33,053               | Short Term Debtors                               | 20    | 33,285               |
| 12,048               | Cash and Cash Equivalents                        | 21    | 13,201               |
| <b>126,994</b>       | <b>Current Assets</b>                            |       | <b>134,032</b>       |
| 2,569                | Short Term Borrowing                             | 19    | 2,579                |
| 35,105               | Short Term Creditors                             | 22    | 33,137               |
| 1,919                | Provisions (Short Term)                          | 23    | 1,385                |
| 9,592                | Grants Receipts in Advance – Capital             | 31    | 13,276               |
| <b>49,185</b>        | <b>Current Liabilities</b>                       |       | <b>50,377</b>        |
| 444                  | Provisions (Long Term)                           | 23    | 492                  |
| 153,506              | Long Term Borrowing                              | 19    | 152,275              |
| 6,617                | Other Long Term Liabilities                      | 24    | 9,652                |
| 220,472              | Other Long Term Liabilities (Pensions)           | 37    | 268,245              |
| 13,565               | Grants Receipts in Advance - Capital (Long Term) | 31    | 14,151               |
| <b>394,604</b>       | <b>Long Term Liabilities</b>                     |       | <b>444,815</b>       |
| <b>337,548</b>       | <b>Net Assets</b>                                |       | <b>331,723</b>       |
| 105,149              | Usable Reserves                                  | 26    | 111,135              |
| 232,399              | Unusable Reserves                                | 26    | 220,588              |
| <b>337,548</b>       | <b>Total Reserves</b>                            |       | <b>331,723</b>       |

## Cash Flow Statement

The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows into operating and investing and financing activities. Further information is included on page 12 of this report.

| 31 March 2019   |  | Notes    | 31 March 2020   |
|-----------------|--|----------|-----------------|
| £'000           |  |          | £'000           |
| <b>16,129</b>   | <b>Net surplus or (deficit) on the provision of services</b>   |          | <b>27,063</b>   |
| 32,241          | Adjustments to net surplus or deficit on the provision of services for non-cash movements  | 27       | 21,728          |
|                 | <b>Adjustments for items that are investing and financing activities</b>   |          |                 |
| (7,180)         | Proceeds from the sale of property, plant and equipment and intangible assets.   |          | (2,786)         |
| (29,585)        | Any items which the cash effects are investing or financing cashflows  |          | (38,670)        |
| <b>(36,765)</b> | <b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |          | <b>(41,456)</b> |
| <b>11,605</b>   | <b>Net cash flows from Operating Activities</b>  |          | <b>7,335</b>    |
|                 | <b>Investing Activities</b>  |          |                 |
| (40,393)        | Purchase of property, plant and equipment and intangible assets.   |          | (45,727)        |
| 7,180           | Proceeds from the sale of property, plant and equipment and intangible assets.   |          | 2,786           |
| (14,970)        | Purchase of short term/long term investments   |          | (5,746)         |
| 4,987           | Other payments for investing activities  |          | 4,270           |
| 0               | Proceeds from short term/long term investments   |          | (37)            |
| 35,235          | Other Receipts from Investing Activities   |          | 45,695          |
| <b>(7,961)</b>  | <b>Net Cashflow from Investing Activities</b>  |          | <b>1,241</b>    |
|                 | <b>Financing Activities</b>  |          |                 |
| (695)           | Repayments of Short and Long Term Borrowing  |          | (1,235)         |
| 2,940           | Other Payments for Financing Activities  |          | (6,188)         |
| <b>2,245</b>    | <b>Net cash flows from Financing Activities</b>  |          | <b>(7,423)</b>  |
| <b>5,889</b>    | <b>Net increase or decrease in cash and cash equivalents</b>   |          | <b>1,153</b>    |
| 6,159           | Cash and cash equivalents at the beginning of the reporting period   |          | 12,048          |
| <b>12,048</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>0</b> | <b>13,201</b>   |

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

|          |                            |  |
|----------|----------------------------|--|
| <b>a</b> | <b>Accounting Policies</b> | <p>The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended) which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounts are prepared on a going concern basis.</p>  |
| <b>b</b> | <b>Revenue/Expenditure</b> | <p>The transactions of the Council are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"> <li>• Revenue from the sale of goods is recognised when the Authority 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 Authority.</li> <li>• Revenue from the provision of services is recognised when the Authority 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 Authority.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>There are certain exceptions to this principle. The main items are:-</p> <p>(a) Electricity charges, telephone expenses, leasing and similar periodic payments are included in the Accounts on a payments basis and not accrued to 31st March each year. Payments in respect of a full twelve months are included.</p> |

|          |  |   |
|----------|--|---|
|          |  | <p>(b) The amount included in the accounts for Government Revenue Support Grant for 2019/20 is on the basis of cash received. Where final figures are not available e.g. Subsidy Entitlement, the amounts included are based on the latest available information.</p> <p>The difference between the amounts charged annually to the Revenue Accounts in respect of items (a) and (b) and the amounts that would be charged if they were accrued to 31st March each year is not significant.</p>   |
| <b>c</b> | <b>Prior Period adjustments, Changes in Accounting Policies and Estimates and Errors</b> | <p>A change in accounting policies or to correct a material error can result in a prior period adjustment. Changes in accounting estimates do not give rise to a prior period adjustment but are accounted for prospectively.</p> <p>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 of the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.</p> <p>Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.</p> |
| <b>d</b> | <b>Charges to Revenue for Non-Current Assets</b>   | <p>The following amounts are charged to revenue to record the cost of holding fixed assets during the year:</p> <ul style="list-style-type: none"> <li>• Depreciation attributable to the assets used by the relevant service.</li> <li>• Revaluation and impairment losses on assets chargeable to the service.</li> <li>• Amortisation of intangible non-current assets attributable to the service.</li> </ul> <p>Council Tax is not required to be raised to fund depreciation, revaluation, impairment losses or amortisations. However, an annual contribution is required from revenue (Minimum Revenue Provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a</p>   |

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|   |                   | prudent basis determined by the Authority in accordance with statutory guidance.  |
| e | Employee Benefits | <p><b>Benefits Payable during Employment</b></p> <p>Short term employee benefits are those due to be settled within 12 months of the year end. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. Holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.</p>  |
|   |                   | <p><b>Termination Benefits</b></p> <p>Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These costs are charged on an accruals basis to the appropriate service or where applicable to Managing Director and Resources.</p>  |
|   |                   | <p><b>Post Employment Benefits</b></p> <p>Employees of the Authority are members of two separate pension schemes:</p> <ul style="list-style-type: none"> <li>• The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).</li> <li>• The Local Government Pensions Scheme, administered by Cardiff County Council Pension Authority.</li> </ul> <p>Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Authority. The arrangements for the teachers' scheme means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.</p> |

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|  |  | <p><b>The Local Government Pension Scheme</b></p> <p>The Local Government Scheme is accounted for as a defined benefits scheme:</p> <ul style="list-style-type: none"> <li>• The liabilities of the Cardiff and Vale Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.</li> <li>• Liabilities are discounted to their value at current prices, using a discount rate.</li> <li>• The assets of the Cardiff and Vale Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.</li> <li>• The actuarial valuation carried out at 31<sup>st</sup> March 2019 has been adjusted to exclude staff working for the Shared Regulatory Service and Vale and Valleys Adoption Service. The Council's share of these balances based on the Joint Committee balances are the consolidated back into the accounts and set out in Note 32 to these accounts.</li> </ul> |
|  |  | <p>The change in the net pension's liability is analysed into the following components:</p> <p><b>Service cost comprising</b></p> <ul style="list-style-type: none"> <li>• Current service cost – the increase in liabilities as a result of years of service earned this year which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.</li> <li>• Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. Debited to the surplus or deficit of services in the Comprehensive Income and Expenditure.</li> <li>• Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the</li> </ul>  |

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|  |  | <p>discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit (asset) during the period as a result of contribution and benefit payments.</p> <p><b>Remeasurements comprising:</b></p> <ul style="list-style-type: none"> <li>• The return on plan assets – excluding amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.</li> <li>• Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.</li> </ul> <p>Statutory provisions require the Council Fund balance be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year in relation to retirement benefits not the amount calculated according to the relevant standards. In the movement in reserves statement this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the council fund of being required to account for retirement benefits on the basis of cashflows rather than as benefits are earned by employees.</p> |
|  |  | <p><b>Discretionary Benefits</b></p> <p>The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using</p>  |

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|          |  | the same policies as are applied to the Local Government Pension Scheme.  |
| <b>f</b> | <b>Events after the Balance Sheet date</b> | <p>These are 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. Such events could result in the Statement of Accounts being adjusted. Two types of events can be identified:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> |
| <b>g</b> | <b>Cash and Cash Equivalents</b>           | <p>Cash includes any cash in hand, overnight deposits and bank overdrafts. Cash equivalents must be readily convertible to known amounts of cash with insignificant risk of change in value and include investments held overnight on 31<sup>st</sup> March 2020. Any other short term investment deposits are excluded from cash and cash equivalents and are included in current assets. Cash and cash equivalents are shown net of bank overdrafts.</p>  |
| <b>h</b> | <b>Financial Instruments</b>               | <p><b>Financial Liabilities</b></p> <p>Financial liabilities are initially measured at fair value and are 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.</p> <p><b>Financial Assets</b></p> <p>Financial assets are classified into two types:</p> <ul style="list-style-type: none"> <li>• Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.</li> <li>• Available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.</li> </ul>                     |

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|                 |   | <p><b>Loans and Receivables</b></p> <p>Loans and receivables are initially measured at fair value and carried 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 loans that the Authority has made, 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.</p> <p>When a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.</p> |
| <p><b>i</b></p> | <p><b>Available for Sale Assets</b></p> | <p>Available for Sale Assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.</p> <p>Assets are maintained in the Balance Sheet at fair value.</p>  |

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|          |  | <p>Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain /loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any net gain / loss for the asset accumulated in the reserve.</p>  |
| <b>j</b> | <b>Government Grants and Contributions</b> | <p>Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:</p> <ul style="list-style-type: none"> <li>• The Authority will comply with the conditions attached to the payments, and</li> <li>• The grants or contributions will be received.</li> </ul> <p>Grants and contributions advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grants or contributions are credited to the Comprehensive Income and Expenditure Statement.</p> <p>Capital grants are credited to the Comprehensive Income and Expenditure Statement and are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Grants not yet used to finance capital expenditure, are posted to the Capital Grants Unapplied reserve. Once applied, it is posted to the Capital Adjustment Account.</p> |
| <b>k</b> | <b>Intangible Assets</b>                   | <p>Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.</p> <p>The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.</p>  |
| <b>l</b> | <b>Inventories and Long Term Contracts</b> | <p>Inventories should be included in the Balance Sheet at the lower of cost and net realisable value. However, some stock is valued at the latest price paid, with an allowance made for obsolete and slow-moving items. The effect of the different treatment is considered to be immaterial.</p>   |

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|          |                                       | Revenue from contracts with service recipients, is recognised in line with IFRS 15 – Revenue from Contracts with Customers. In essence it means recognition occurs when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet  |
| <b>m</b> | <b>Jointly Controlled Operations</b>  | <p>Joint operations are arrangements undertaken by the Council in conjunction with other ventures that make use of its assets and resources. Joint Committees are examples of Jointly Controlled Operations.</p> <p>The relevant proportion of the transactions and balances for Joint Committees are included within the Council's Financial Statements. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee. To date there has been no audit opinion issued in respect of any of these Joint Committees.</p>  |
| <b>n</b> | <b>Leases</b>                         | <p>The Council currently has no Finance Leases. The land and buildings elements of a lease are considered separately for classification.</p> <p><b>The Authority as Lessee</b></p> <p><b>Operating Leases</b><br/>Rentals paid under operating leases are charged to the services in the Comprehensive Income and Expenditure Statement that benefit from the use of the leased property, plant or equipment.</p> <p><b>The Authority as Lessor</b></p> <p><b>Operating Leases</b><br/>Rental income under an operating lease is credited to the Comprehensive Income and Expenditure Statement; the property, plant or equipment is retained in the Balance Sheet.</p> |
| <b>o</b> | <b>Overheads and Support Services</b> | The accounts have been adjusted to remove internal recharges for overheads and support services from the figures shown in the Comprehensive Income and Expenditure Statement.   |
| <b>p</b> | <b>Property Plant and Equipment</b>   | Revaluation of the assets of the Authority will be undertaken on a rolling basis over a five year cycle by an external valuer. Assurance will be sought from the external valuer in relation to those assets not revalued during 2019/20.   |

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|  | <p>Council Dwellings are regarded by the Authority as operational and valued using the Beacon approach (adjusted vacant possession value).</p> <p>Land and Property regarded by the Authority as operational was valued on the basis of constructing modern equivalent buildings, or where this could not be assessed because there was no market for the subject asset (i.e. specialised property) the depreciated replacement cost.</p> <p>Land and Property regarded by the Authority as non-operational have been valued on the basis of cost, fair value, or depreciated replacement cost as appropriate.</p> <p>Infrastructure, Vehicles, Plant and Equipment and Community Assets are included at cost (less depreciation where required).</p> <p>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 Authority and the cost of the item can be measured reliably.</p> <p>A de-minimis rule for capital has been applied – generally no capital expenditure valued at under £10,000 is included within capital spend.</p> <p>Assets are initially measured at cost, comprising:</p> <ul style="list-style-type: none"> <li>• the purchase price.</li> <li>• 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.</li> <li>• The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.</li> </ul> <p>For Land and Building additions any expenditure less than £50k is enhanced and then impaired back out unless it relates to schemes such as boilers, new structures which have previously been shown to be enhancing. Schemes costing between £50k and £250k are enhanced in full subject to some exceptions. Schemes including works to boilers, roofs, rewiring and multiple schemes are enhanced at</p> |
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|  |  | <p>65% of the value. Any unusual or schemes exceeding £250k in value were reviewed by a FRICs qualified valuer to assess the level of enhancement.</p> <p>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 an impairment loss previously charged to a service revenue account.</p> <p>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.</p> <p>Where decreases in value for individual assets are identified, they are accounted for either by setting it off against gains for the asset in the Revaluation Reserve or against the relevant service lines in the Comprehensive Income and Expenditure Statement.</p> |
|  |  | <p><b>Component accounting</b><br/>Assets with a net book value in excess of £3 million will be reviewed to determine if there are any significant components that require a separate depreciation calculation and whether it is material. No adjustment for component accounting was made in the accounts.</p>   |
|  |  | <p><b>Impairment</b><br/>Assets are assessed at each year end as to whether there is an indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated and if this is less than the carrying amount an impairment loss is recognised for the shortfall. This is either set against the balance of the Revaluation Reserve if there have been previous valuation gains for the asset or it is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.</p>  |
|  |  | <p><b>Depreciation</b><br/>Depreciation is provided for on all Property, Plant and Equipment assets over their useful lives. An exception is where assets are without a determinable finite useful life (i.e. Freehold Land and Community</p>   |

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|  |  | <p>Assets) and assets that are not available for use (i.e. assets under construction).</p> <p>Depreciation is calculated on the following basis:</p> <ul style="list-style-type: none"> <li>• Dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer.</li> <li>• Vehicles, plant, furniture and equipment - over the life of the asset.</li> <li>• Infrastructure – straight line allocation over 40 years.</li> </ul> <p>No depreciation is charged in the year of acquisition with a full year charge applied in the disposal year, except for Vehicles which is charged in the month following acquisition.</p> <p>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.</p>   |
|  |  | <p><b>Disposals and Non Current Assets Held for Sale</b></p> <p>An asset is reclassified as Held for Sale when it is probable that the carrying amount will be recovered principally through a sale transaction. The asset is revalued immediately before reclassification and carried at the lower of this amount and the 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. Depreciation is not charged on Assets Held for Sale.</p> <p>Where assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets.</p> <p>Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.</p> <p>When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and</p> |

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|                 |                                      | <p>Expenditure Statement as part of the gain or loss on disposal.</p> <p>Receipts from disposals are credited to the same line of the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains that are accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.</p> <p>Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.</p> <p>The written off value on disposals is not a charge to Council Tax as the cost for non current assets is separately provided for under separate arrangements for capital financing</p>  |
| <p><b>q</b></p> | <p><b>Fair Value Measurement</b></p> | <p>The authority measures some of its assets held for sale and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either;</p> <ul style="list-style-type: none"> <li>• In the principal market for the asset or liability, or</li> <li>• In the absence of a principal market, in the most advantageous market for the asset or liability.</li> </ul> <p>The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their best economic interest by using the asset in its highest and best use, or selling the asset to another participant.</p> <p>The authority uses valuation techniques that are appropriate in the circumstances maximising the use of observable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, as follows;</p> <ul style="list-style-type: none"> <li>• Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.</li> <li>• Level 2 – inputs rather than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.</li> </ul> |

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|   |  | <ul style="list-style-type: none"> <li>• Level 3 – unobservable inputs for the asset or liability.</li> </ul>   |
| r | <p><b>Provisions, Contingent Liabilities and Contingent Assets</b></p> | <p><b>Provisions</b></p> <p>Provisions are made when an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation.</p> <p>Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p> <p>When payments are eventually made, they are charged to the provision carried in the Balance Sheet.</p> <p>Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. See note 23 to the accounts.</p> |
|   |  | <p><b>Contingent Liabilities</b></p> <p>A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.</p> <p>Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.</p>   |

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|          |  | <p><b>Contingent Assets</b></p> <p>A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.</p> <p>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.</p>   |
| <b>s</b> | <b>Specific Reserves</b>                                     | These reserves represent sums of money that are voluntarily set aside for specific purposes. The purpose of these reserves is explained in Note 11 to the accounts.  |
| <b>t</b> | <b>Revenue Expenditure Funded from Capital under Statute</b> | Expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. The total gross expenditure is £7.419 million. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.   |
| <b>u</b> | <b>Local Authority Schools</b>                               | The Council does not include a school's property, plant and equipment in its Balance Sheet where it does not own or have significant control over the economic benefit of these assets. This means that the buildings used by voluntary aided, Roman Catholic aided and voluntary controlled schools are excluded from property, plant and equipment where they are not owned by the Council. However, land owned by the Council and used by these schools is recognised in property, plant and equipment. The property, plant and equipment of community and foundation schools are recognised on the Authority's Balance Sheet. The income and expenditure for all schools is included within the CI&ES and any unspent resources held by schools are included within earmarked reserves in the Council's Balance Sheet. |
| <b>v</b> | <b>Value Added Tax</b>                                       | Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT   |

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|          |                                | collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.   |
| <b>w</b> | <b>Exceptional Items</b>       | When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Statement of Accounts, depending on how significant the items are to an understanding of the Council's financial performance. There are no exceptional items in 2019/20.  |
| <b>x</b> | <b>Investment in Companies</b> | The Council currently only has one investment in a company and this is its 100% shareholding in the Big Fresh Catering Company which was established on 1 <sup>st</sup> January 2020. The Council will review the materiality of this investment when preparing its accounts and where the investment is not material the details will be disclosed in the Notes to the Statement of Accounts. If the investment becomes material it will be consolidated through Group Accounts. The Council's shareholding is not listed on any quoted market the valuation estimate of the company will be based on the net worth of the company as per its draft set of financial accounts (Level 3). |

## 2. Accounting Standards that have been issued but have yet to be adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

At the balance sheet date, the following relevant new standards and amendments to existing standards have been published but not yet adopted by the Code:

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

It is unlikely that any of the above will have an impact upon the financial statements.

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right of use asset with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1st April 2021.

The Council is carrying out work to establish the extent of the impact of IFRS16 on the Authority's accounts a full list of finance leases has been prepared in consultation with service departments and the relevant data for each lease

arrangement has been gathered. The Council has had initial discussion with the external valuer as it will be required to get valuations for some leased buildings. The Council has also listed a number of arrangements where it will need to consider the impact of lease arrangements embedded in contracts and will be liaising with Audit Wales and other Welsh authorities to ensure a consistent interpretation of this emerging standard is made.

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

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **Property, Plant and Equipment**

Property Plant and Equipment (excluding infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued annually for indicators of impairment. Judgements are required to make an assessment as to whether there has been an assessment of impairment.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Useful asset lives will impact on depreciation calculations. For assets such as Infrastructure (40 years) Vehicles (6 years) and Equipment (5 years) standard asset lives are used unless evidence is available to the contrary. The Useful Economic Lives of operational buildings is estimated by a RICs qualified valuer as part of the valuation process.

The outbreak of Covid 19, declared by the World Health Organisation as a "Global

Pandemic” on the 11th March 2020, has impacted global financial market. Market activity is being impacted in many sectors. As at the valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value. They have advised that the current response to Covid 19 means that they are faced with an unprecedented set of circumstances on which to base a judgement and their valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. Given the unknown future impact that Covid 19 might have on the real estate market, they recommend that the Council keeps the valuation of its property portfolio under frequent review. The valuations are set out in Note 15 to the accounts Property Plant and Equipment.

### Minimum Revenue Provision

Statutory provision is made in the accounts for the repayment of the Council’s borrowing. The Minimum Revenue Provision is based on a straight line repayment over the estimated life of the asset. The estimated life is based on information provided by a qualified valuer as part of the valuation process and the Council’s asset register.

### Provisions

A provision is included in the accounts for Municipal Mutual Insurance (MMI) liability using current information.

The MMI liability has been calculated based on the Vale of Glamorgan’s share of outstanding claims from South Glamorgan, Mid Glamorgan and Vale of Glamorgan Borough. The scheme administrator regularly reviews the scheme and any significant changes in the financial position may lead to a further clawback.

### Debtors

Sundry and council tax debtors were examined which resulted in a provision for doubtful debts. If the provision is too low, the Authority’s finances would be affected. The Provision for Bad and Doubtful Debts is set based on the rates of collection for old debt in the previous financial year.

### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

A firm of actuaries is engaged to provide the Cardiff and Vale Pension Fund with expert advice about the assumptions to be applied. The actuarial report is based on a recent triennial valuation carried out at 31<sup>st</sup> March 2019 the actuary has concluded that due to the high level of prudence and the long term nature of the fund it is reasonable to use this valuation for the actuarial report as at 31<sup>st</sup> March 2020. The actuarial report reflects the negative movement on investments up to 31<sup>st</sup> March 2020. There is also uncertainty around the impact of Covid 19 on the Pension Fund liability particularly in respect of the mortality assumptions that have been used.

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, the year-end valuation reports provided to Cardiff and Vale of Glamorgan Pension Fund include a statement that there is a material valuation uncertainty in respect of pooled property investments managed on behalf of the pension fund as at 31 March 2020.

The total value of these affected investments as at 31<sup>st</sup> March 2020 is £106.746m of which, £20.922m (19.6%) is attributable to the Vale of Glamorgan County Borough Council and £235k (0.2%) is attributable to Stanwell Comprehensive.

Outside of Covid 19 the actuarial report also makes a number of assumptions in respect of the likely treatment for the McCloud judgment and Guaranteed Minimum Pensions and these are set out in more detail in note 37.

#### Fair Value

Where the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible the inputs to these valuations are based on observable data but where this is not possible judgement is required in establishing fair values.

Fair Values as at 31<sup>st</sup> March 2020 for the Council's financial assets and liabilities have been provided by the Council's Treasury Management advisor Link Asset Management Ltd and PWLB, as the majority of the Council's borrowing with PWLB at a fixed rate and there has been very little movement in the PWLB borrowing rate during the intervening period it can be considered that the Fair Values would be unlikely to have changed significantly in recent months, more detail in respect of this uncertainty is set out in note 39. Disclosure notes set out the fair values for the Authority's financial assets and liabilities as at 31<sup>st</sup> March 2020.

#### **5. Material Items of Income and Expenditure**

The Council does not have any material items of income and expenditure to report that require any further explanation.

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

The audited statement of accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 17<sup>th</sup> September 2020. Events taking place after this date are

not reflected in the financial statement or notes. There have been no post balance sheet events prior to this date that have been reflected in the statement of accounts.

## 7. Prior Period Adjustment

The Expenditure and Funding Analysis in 2018-19 has been restated to correct the allocation of Pension adjustments across service areas. These amendments have also been reflected in the Note to the Expenditure and Funding Analysis in Note 8 to the accounts a further change to this note is an amendment to show the movement of the Pension Interest charged on the pensions liability to Other Comprehensive Income and Expenditure in the Net Change for Pensions Adjustment column rather than in the Category Transfer column.

| 2018/19<br>Amendments to Expenditure and<br>Funding Analysis     | Original Net<br>Expenditure<br>Chargeable to the<br>General Fund<br>and HRA<br>Balances | Adjustment | Amended Net<br>Expenditure<br>Chargeable to the<br>General Fund<br>and HRA<br>Balances |
|--|---|------------|--|
|  | £'000   | £'000      | £'000  |
| Learning and Skills  | 106,404   | (1,045)    | 105,359  |
| Social Services  | 62,316  | (766)      | 61,550   |
| Visible and Housing Services                                     | 33,731  | (430)      | 33,301   |
| Housing Revenue Account (HRA)                                    | -1,894  | 0          | -1,894   |
| Managing Director and Resources                                  | 9,244   | 2,241      | 11,485   |
| Net Cost of Services   | 209,801   | 0          | 209,801  |
| Other Income and Expenditure                                     | (214,145)   | 0          | -214,145   |
| <b>(Surplus) or Deficit</b>                                      | <b>(4,344)</b>  | <b>0</b>   | <b>(4,344)</b>   |
| <b>Opening General Fund and HRA<br/>Balance at 31 March 2018</b> | <b>(79,485)</b>   | <b>0</b>   | <b>(79,485)</b>  |
| Plus Surplus on General Fund and<br>HRA Balance in Year          | (4,344)   | 0          | (4,344)  |
| <b>Closing General Fund and HRA<br/>Balance 31 March 2019</b>    | <b>(83,829)</b>   | <b>0</b>   | <b>(83,829)</b>  |

| 2018/19<br>Adjustments from<br>General Fund to arrive<br>at the Comprehensive<br>Income and<br>Expenditure Statement<br>Amounts | Original<br>Category<br>Transfer | Original Net<br>Change for<br>Pensions<br>Adjustment | Amended<br>Category<br>Transfer | Amended<br>Net Change<br>for<br>Pensions<br>Adjustment | Variance<br>Category<br>Transfer | Variance<br>Net Change<br>for<br>Pensions<br>Adjustment |
|---|----------------------------------|--|---------------------------------|--|----------------------------------|---|
|   | £'000                            | £'000  | £'000                           | £'000  | £'000                            | £'000   |
| Learning and Skills   | (3,307)                          | 2,221  | (3,307)                         | 3,266  | 0                                | 1,045   |
| Social Services   | (2,051)                          | 1,115  | (2,046)                         | 1,876  | 5                                | 761   |
| Visible and Housing<br>Services   | (3,411)                          | 846  | (3,357)                         | 1,223  | 54                               | 377   |
| Housing Revenue<br>Account (HRA)  | (3,004)                          | 313  | (2,906)                         | 214  | 98                               | -99   |

|  |                 |               |                 |               |              |                |
|--|-----------------|---------------|-----------------|---------------|--------------|----------------|
| Managing Director and Resources  | (6,412)         | 9,344         | (1,151)         | 1842          | 5,261        | (7,502)        |
|  |                 |               |                 |               | 0            | 0              |
| <b>Net Cost of Services</b>  | <b>(18,185)</b> | <b>13,839</b> | <b>(12,767)</b> | <b>8,421</b>  | <b>5,418</b> | <b>(5,418)</b> |
|  |                 |               |                 |               |              | <b>0</b>       |
| Other Income and Expenditure   | 18,185          | 0             | 12,767          | 5,418         | (5,418)      | 5,418          |
| Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure statement surplus or deficit | <b>0</b>        | <b>13,839</b> | <b>0</b>        | <b>13,839</b> | <b>0</b>     | <b>0</b>       |

## 8. Note to the Expenditure and Funding Analysis

| 2018/19<br>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts             | Category Transfer | Adjustments for Capital Purposes | Net Change for Pensions Adjustment | Other Differences | Total Adjustment |
|--|-------------------|----------------------------------|------------------------------------|-------------------|------------------|
|  | <b>£'000</b>      | <b>£'000</b>                     | <b>£'000</b>                       | <b>£'000</b>      | <b>£'000</b>     |
| Learning and Skills  | (3,307)           | (2,535)                          | 3,266                              | (262)             | -3,883           |
| Social Services  | (2,046)           | (653)                            | 1,876                              | 2                 | -1,587           |
| Visible and Housing Services   | (3,357)           | (1,509)                          | 1223                               | (10)              | -4,084           |
| Housing Revenue Account (HRA)  | (2,906)           | (345)                            | 214                                | 0                 | -3,036           |
| Managing Director and Resources  | (1,151)           | 10,301                           | 1842                               | 60                | 13,293           |
| <b>Net Cost of Services</b>  | <b>(12,767)</b>   | <b>5,259</b>                     | <b>8,421</b>                       | <b>-210</b>       | <b>703</b>       |
| Other Income and Expenditure   | 12,767            | (30,673)                         | 5418                               | 0                 | -12,488          |
| Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure statement surplus or deficit | <b>0</b>          | <b>(25,414)</b>                  | <b>13,839</b>                      | <b>(210)</b>      | <b>(11,785)</b>  |

| 2019/20<br>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts | Category Transfer | Adjustments for Capital Purposes | Net Change for Pensions Adjustment | Other Differences | Total Adjustment |
|--|-------------------|----------------------------------|------------------------------------|-------------------|------------------|
|  | <b>£'000</b>      | <b>£'000</b>                     | <b>£'000</b>                       | <b>£'000</b>      | <b>£'000</b>     |
| Learning and Skills  | (3,147)           | 1,824                            | (1,072)                            | 646               | -1,749           |
| Social Services  | (3,021)           | 36                               | 497                                | 0                 | -2,488           |

|  |                 |                 |              |            |                 |
|--|-----------------|-----------------|--------------|------------|-----------------|
| Visible and Housing Services   | (2,493)         | -1,251          | 616          | 5          | -3,123          |
| Housing Revenue Account (HRA)  | (2,972)         | 768             | 43           | 0          | -2,161          |
| Managing Director and Resources  | (848)           | 9,923           | 2,654        | 65         | 11,794          |
| <b>Net Cost of Services</b>  | <b>(12,481)</b> | <b>11,300</b>   | <b>2,738</b> | <b>716</b> | <b>2,273</b>    |
| Other Income and Expenditure   | 12,481          | (39,693)        | 5003         | 0          | (22,209)        |
| Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure statement surplus or deficit | <b>0</b>        | <b>(28,393)</b> | <b>7,741</b> | <b>716</b> | <b>(19,936)</b> |

Note (i) Adjustments for Capital Purposes

- Depreciation/impairment and revaluation gains and losses are added in.
- Adjustment for disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Statutory Capital Financing charges are deducted (Minimum Revenue Provision).
- Capital Grants and Donations are adjusted for.

Note (ii) Net Change for the Pensions Adjustments

This adjustment relates to the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income which means:

- The replacement of the employer pension contributions with current service costs and past service costs.
- The net interest on the defined benefit liability is charged to the Other Income and Expenditure line.

Note (iii) Other Differences

- Adjustments are made for accumulated absences.

## 9. Expenditure and Funding Analysis by Nature

| 31 March 2019<br>£'000 |   | 31 March 2020<br>£'000 |
|------------------------|---|------------------------|
| 149,147                | Employee Expenditure  | 148,602                |
| 9,964                  | Employee Expenditure (Aided Schools)                                | 10,500                 |
| 158,329                | Other Service Expenditure   | 164,989                |
| 20,743                 | Depreciation, Amortisation, Impairments & Other Capital Adjustments | 20,860                 |
| 59                     | Soft Loan   | 62                     |
| 7,300                  | Interest Payments   | 7,280                  |
| 22,455                 | Precepts & Levies   | 24,373                 |
| 0                      | Loss on Disposal of Non-Current Assets                              | 0                      |
| 5,419                  | Interest on net defined benefit liability/ (asset)                  | 5,003                  |

|                  |  |                  |
|------------------|--|------------------|
| 0                | Deficit on trading not included in net cost of service   | 0                |
| <b>373,416</b>   | <b>Total Expenditure</b>                                 | <b>381,669</b>   |
| (43,603)         | Fees Charges & Other Service Income                      | (46,757)         |
| (594)            | Interest and Investment Income                           | (883)            |
| (78,020)         | Income from Council Tax                                  | (84,956)         |
| (266,200)        | Government Grants and Contributions                      | (275,092)        |
| (41)             | Surplus on trading not included in net cost of service   | (59)             |
| (1,087)          | Gains Disposal of Non-Current Assets                     | (985)            |
| <b>(389,545)</b> | <b>Total Income</b>                                      | <b>(408,732)</b> |
| <b>(16,129)</b>  | <b>(Surplus) or Deficit on the Provision of Services</b> | <b>(27,063)</b>  |

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

| Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19   | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapp | Mvmt in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|----------------------|---------------------------|
|  | £'000                | £'000                   | £'000                    | £'000                | £'000                     |
| <b>Adjustments to Revenue Resources</b>  |                      |                         |                          |                      |                           |
| <b>Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</b> |                      |                         |                          |                      |                           |
| Reversal of items relating to retirement benefits debited or credited to the CIES  | 26,618               | 586                     | 0                        | 0                    | (27,204)                  |
| Employers pension contributions and direct payments to pensions payable in the year  | (13,091)             | (273)                   | 0                        | 0                    | 13,364                    |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account)  | 59                   | 0                       | 0                        | 0                    | (59)                      |
| Holiday pay (transfers to the Accumulated Absences Reserve)  | (269)                | 0                       | 0                        | 0                    | 269                       |
| Charges for depreciation/impairment of non-current assets  | 11,007               | 6,578                   | 0                        | 0                    | (17,585)                  |
| Revaluation (surplus)/deficit on Property Plant and Equipment  | (890)                | 5                       | 0                        | 0                    | 885                       |
| Amortisation of intangible assets  | 236                  | 0                       | 0                        | 0                    | (236)                     |
| Amounts of non-current assets written off on disposal to CIES  | 5,292                | 718                     | 0                        | 0                    | (6,010)                   |
| Revenue Expenditure funded from capital under statute  | 4,276                | 66                      | 0                        | 0                    | (4,342)                   |
| <b>Total Adjustments to Revenue Resources</b>  | <b>33,238</b>        | <b>7,680</b>            | <b>0</b>                 | <b>0</b>             | <b>(40,918)</b>           |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                         |                          |                      |                           |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | (5,492)              | (1,688)                 | 7,180                    | 0                    | 0                         |
| Administrative costs of the non-current asset disposals (funded by Capital Receipts Reserve)   | 84                   | 0                       | 0                        | 0                    | (84)                      |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | (3,475)              | (1,517)                 | 0                        | 0                    | 4,992                     |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) Glamorgan Archives Joint Committee Notional Debt                        | (535)                | 0                       | 0                        | 0                    | 535                       |
| Capital Expenditure financed from revenue balances (transferred to the Capital Adjustment Acc.)  | (5,016)              | (5,478)                 | 0                        | 0                    | 10,494                    |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>(14,434)</b>      | <b>(8,683)</b>          | <b>7,180</b>             | <b>0</b>             | <b>15,937</b>             |
| <b>Adjustments to Capital Resources</b>  |                      |                         |                          |                      |                           |
| Use of Capital Receipts Reserve to finance capital expenditure   | 0                    | 0                       | (3,355)                  | 0                    | 3,355                     |
| Application of capital grants to finance capital expenditure   | (26,325)             | (3,260)                 | 0                        | 4,345                | 25,240                    |
| Cash payments in relation to deferred capital receipts   | 0                    | 0                       | 0                        | 0                    | 0                         |
| <b>Total Adjustments to Capital Resources</b>  | <b>(26,325)</b>      | <b>(3,260)</b>          | <b>(3,355)</b>           | <b>4,345</b>         | <b>28,595</b>             |
| <b>Total Adjustments</b>   | <b>(7,521)</b>       | <b>(4,263)</b>          | <b>3,825</b>             | <b>4,345</b>         | <b>3,614</b>              |

| Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20   | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapp | Mvmt in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|----------------------|---------------------------|
| <b>Adjustments to Revenue Resources</b>  | <b>£'000</b>         | <b>£'000</b>            | <b>£'000</b>             | <b>£'000</b>         | <b>£'000</b>              |
| <b>Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</b> |                      |                         |                          |                      |                           |
| Reversal of items relating to retirement benefits debited or credited to the CIES  | 23,003               | 417                     | 0                        | 0                    | (23,420)                  |
| Employers pension contributions and direct payments to pensions payable in the year  | (15,400)             | (278)                   | 0                        | 0                    | 15,678                    |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account)  | 62                   | 0                       | 0                        | 0                    | (62)                      |
| Holiday pay (transfers to the Accumulated Absences Reserve)  | 652                  | 0                       | 0                        | 0                    | (652)                     |
| Charges for depreciation/impairment of non-current assets  | 11,005               | 4,331                   | 0                        | 0                    | (15,336)                  |
| Revaluation (surplus)/deficit on Property Plant and Equipment  | (1,914)              | (274)                   | 0                        | 0                    | 2,188                     |
| Amortisation of intangible assets  | 244                  | 0                       | 0                        | 0                    | (244)                     |
| Amounts of non-current assets written off on disposal to CIES  | 1,327                | 390                     | 0                        | 0                    | (1,717)                   |
| Revenue Expenditure funded from capital under statute  | 6,383                | 1,064                   | 0                        | 0                    | (7,447)                   |
| <b>Total Adjustments to Revenue Resources</b>  | <b>25,362</b>        | <b>5,650</b>            | <b>0</b>                 | <b>0</b>             | <b>(31,012)</b>           |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                         |                          |                      |                           |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | (1,425)              | (1,361)                 | 2,786                    | 0                    | 0                         |
| Administrative costs of the non-current asset disposals (funded by Capital Receipts Reserve)   | 84                   | 0                       | 0                        | 0                    | (84)                      |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | (3,595)              | (1,545)                 | 0                        | 0                    | 5,140                     |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) Glamorgan Archives Joint Committee Notional Debt                        | 0                    | 0                       | 0                        | 0                    | 0                         |
| Capital Expenditure financed from revenue balances (transferred to the Capital Adjustment Acc.)  | (1,591)              | (2,808)                 | 0                        | 0                    | 4,399                     |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>(6,527)</b>       | <b>(5,714)</b>          | <b>2,786</b>             | <b>0</b>             | <b>9,455</b>              |
| <b>Adjustments to Capital Resources</b>  |                      |                         |                          |                      |                           |
| Use of Capital Receipts Reserve to finance capital expenditure   | 0                    | 0                       | (1,435)                  | 0                    | 1,435                     |
| Application of capital grants to finance capital expenditure   | (35,915)             | (2,792)                 | 0                        | (2,492)              | 41,199                    |
| Cash payments in relation to deferred capital receipts   | 0                    | 0                       | 0                        | 0                    | 0                         |
| <b>Total Adjustments to Capital Resources</b>  | <b>(35,915)</b>      | <b>(2,792)</b>          | <b>(1,435)</b>           | <b>(2,492)</b>       | <b>42,634</b>             |
| <b>Total Adjustments</b>   | <b>(17,080)</b>      | <b>(2,856)</b>          | <b>1,351</b>             | <b>(2,492)</b>       | <b>21,077</b>             |

### 11. Transfers To/From Earmarked Reserves

This sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2019/20.

|  | 31<br>March<br>2018 | Tfr In | Tfr Out | 31<br>March<br>2019 | Tfr In | Tfr Out | 31<br>March<br>2020 |
|--|---------------------|--------|---------|---------------------|--------|---------|---------------------|
| <b>Council Fund</b>  | £'000               | £'000  | £'000   | £'000               | £'000  | £'000   | £'000               |
| <b>School Reserves-</b> Under Local Government Management of Schools, schools are able to carry forward surpluses and deficits. These are ringfenced for schools.    | 2,623               | 884    | 722     | 2,785               | 148    | 1,995   | 938                 |
| <b>Capital Reserves</b>  |                     |        |         |                     |        |         |                     |
| <b>ICT Renewal</b> - This is a fund set aside to meet ICT renewals required by the Authority.  | 3,952               | 67     | 573     | 3,446               | 74     | 627     | 2,893               |
| <b>School Investment Strategy</b> - The fund is available in respect of improvements to Schools including the 21 <sup>st</sup> Century schools capital programme.    | 11,371              | 81     | 2,415   | 9,037               | 102    | 50      | 9,089               |
| <b>WG Additional Schools Capital Grant</b> – Grant funding received and carried forward for capital works in schools   | 0                   | 1,765  | 0       | 1,765               | 1,905  | 1,580   | 2,090               |
| <b>Commercial Opportunities &amp; Invest to Save Fund-</b> This fund is to finance revenue & capital projects which will create savings or commercial opportunities. | 3,180               | 0      | 330     | 2,850               | 0      | 496     | 2,354               |
| <b>Vehicle Repairs and Renewals</b> - For the replacement of plant and vehicles.   | 2,414               | 807    | 277     | 2,944               | 810    | 393     | 3,361               |
| <b>Neighbourhood Services Reserve</b> – To fund capital and revenue Neighbourhood Services schemes.  | 7,200               | 1,049  | 3,663   | 4,586               | 2,784  | 3,647   | 3,723               |
| <b>Waste Transfer Station</b> – Establishment of a Waste Transfer Station.   | 1,500               | 0      | 0       | 1,500               | 0      | 2       | 1,498               |
| <b>Council Building Fund</b> – To maintain Council buildings.  | 6,582               | 55     | 1,162   | 5,475               | 1,068  | 766     | 5,777               |
| <b>Social Services Buildings</b> - To fund the update of Social Services premises to meet the future demands of the Service.   | 500                 | 0      | 0       | 500                 | 0      | 0       | 500                 |
| <b>ICF Capital</b> - To fund ICF capital projects.   | 0                   | 330    | 0       | 330                 | 0      | 0       | 330                 |
| <b>Gypsy Traveller Study and Site Provision</b> Funding for Gypsy Traveller Site scheme.   | 1,059               | 0      | 7       | 1,052               | 0      | 0       | 1,052               |
| <b>Capital Scheme Commitments</b> – Set aside to top up Barry Regeneration schemes.  | 95                  | 0      | 21      | 74                  | 1,491  | 0       | 1,565               |
| <b>Telecare</b> – Replacement fund for Telecare.   | 565                 | 75     | 0       | 640                 | 45     | 0       | 685                 |
| <b>Energy Management Fund</b> – Energy management schemes initially funded from the reserve and services make repayments to the fund once savings are achieved.      | 318                 | 162    | 259     | 221                 | 169    | 191     | 199                 |
| <b>Coastal Works</b> - To fund the ongoing liabilities of coastal developments.  | 570                 | 0      | 33      | 537                 | 0      | 50      | 487                 |

|   | 31<br>March<br>2018 | Tfr In | Tfr Out | 31<br>March<br>2019 | Tfr In | Tfr Out | 31<br>March<br>2020 |
|---|---------------------|--------|---------|---------------------|--------|---------|---------------------|
|   | £'000               | £'000  | £'000   | £'000               | £'000  | £'000   | £'000               |
| <b>Council Fund</b>   |                     |        |         |                     |        |         |                     |
| <b>Capital Reserves ctd.</b>  |                     |        |         |                     |        |         |                     |
| <b>Capital Economic Regeneration Reserve – To be used to deliver the key regeneration projects.</b>   | 0                   | 0      | 0       | 0                   | 496    | 7       | 489                 |
| <b>City Deal – To provide funds for the Cardiff Capital Region City Deal.</b>   | 1,898               | 0      | 0       | 1,898               | 0      | 0       | 1,898               |
| <b>Revenue Reserves</b>   |                     |        |         |                     |        |         |                     |
| <b>Events - To provide funds to promote events in the Vale of Glamorgan.</b>  | 340                 | 200    | 137     | 403                 | 0      | 110     | 293                 |
| <b>Early Retirement and Redundancy Fund - This is set aside to meet future costs of the early retirement and redundancy scheme.</b>   | 973                 | 0      | 0       | 973                 | 0      | 0       | 973                 |
| <b>Corporate Governance - This reserve has been set aside in respect of the Modernising Local Government Agenda.</b>  | 338                 | 0      | 0       | 338                 | 0      | 0       | 338                 |
| <b>Election Expenses –Set aside for Council Elections.</b>  | 216                 | 158    | 4       | 370                 | 41     | 0       | 411                 |
| <b>Library - To provide funds to support Library services.</b>  | 151                 | 0      | 0       | 151                 | 0      | 0       | 151                 |
| <b>Catering - To support any issues relating to the Catering trading company.</b>   | 187                 | 0      | 0       | 187                 | 0      | 70      | 117                 |
| <b>Grant Exit Strategy – To pay potential redundancy costs if Welsh Government grants are discontinued and costs cannot be grant funded.</b>  | 630                 | 0      | 0       | 630                 | 0      | 0       | 630                 |
| <b>Trainee Appointments – To fund the appointment of trainees and interns to support services and the Reshaping Service Programme.</b>  | 680                 | 0      | 0       | 680                 | 0      | 49      | 631                 |
| <b>Legal Services – To provide for external and additional legal capacity required for one off schemes and major projects.</b>  | 657                 | 49     | 4       | 702                 | 0      | 191     | 511                 |
| <b>Performance and Development - To fund temporary posts, the purchase of hardware, software and equipment.</b>   | 343                 | 45     | 0       | 388                 | 0      | 21      | 367                 |
| <b>Building Services Improvement – Monies set aside for improvements to the Building Services.</b>  | 249                 | 55     | 28      | 276                 | 40     | 19      | 297                 |
| <b>Insurance Fund - This reserve covers an estimate of potential claims (those estimated to have occurred but not reported as at 31 March 2020). These would include claims for public and employers liability, motor vehicle, buildings insurance costs.</b> | 3,452               | 439    | 0       | 3,891               | 683    | 0       | 4,574               |
| <b>Schools Rationalisation - This reserve will meet the costs of school restructuring and reorganisation and support schools in the improvement of their teaching and learning facilities.</b>  | 763                 | 149    | 284     | 628                 | 51     | 146     | 533                 |
| <b>School Deferred Pensions – To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years.</b>   | 252                 | 53     | 39      | 266                 | 53     | 0       | 319                 |
| <b>Education Pressures – To fund the current pressures within Learning and Skills</b>   | 0                   | 0      | 0       | 0                   | 1,000  | 548     | 452                 |

|  | 31<br>March<br>2018 | Tfr In       | Tfr Out       | 31<br>March<br>2019 | Tfr In        | Tfr Out       | 31<br>March<br>2020 |
|--|---------------------|--------------|---------------|---------------------|---------------|---------------|---------------------|
| <b>Council Fund</b>  | £'000               | £'000        | £'000         | £'000               | £'000         | £'000         | £'000               |
| <b>Bad Weather-</b> To fund costs due to bad weather.  | 424                 | 0            | 313           | 111                 | 500           | 342           | 269                 |
| <b>Regeneration Fund</b> - To fund regeneration projects.  | 313                 | 20           | 28            | 305                 | 0             | 0             | 305                 |
| <b>Reshaping Services</b> - To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services Programme.         | 569                 | 300          | 55            | 814                 | 0             | 128           | 686                 |
| <b>Digital Reshaping</b> - To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services Digital Programme.  | 0                   | 225          | 0             | 225                 | 0             | 5             | 220                 |
| <b>Social Services Legislative Changes-</b> To cover additional burdens on the authority due to changes in legislation.                                  | 4,831               | 1,278        | 0             | 6,109               | 1,850         | 36            | 7,923               |
| <b>Welfare Reforms</b> - To fund pressures resulting from Welfare Reforms.   | 756                 | 0            | 0             | 756                 | 0             | 135           | 621                 |
| <b>Legal Claims</b> - Funds have been set aside to cover potential legal cases.  | 1,920               | 0            | 0             | 1,920               | 0             | 0             | 1,920               |
| <b>Social Services Plan</b> – The balance on this fund has been transferred into the Social Services Legislative Changes fund.                           | 980                 | 0            | 0             | 980                 | 0             | 980           | 0                   |
| <b>Social Services Pressures</b> - To cover potential expenditure on high cost children placements.  | 1,913               | 0            | 0             | 1,913               | 0             | 0             | 1,913               |
| <b>Social Services Development</b> – To cover costs of implementing service development and contingency for premises maintenance.                        | 350                 | 0            | 0             | 350                 | 0             | 0             | 350                 |
| <b>Homelessness and Housing Staffing</b> – Funding for temporary housing roles.  | 522                 | 70           | 0             | 592                 | 63            | 0             | 655                 |
| <b>Regeneration and Planning</b> – Monies set aside to cover various commitments in the service.   | 796                 | 0            | 42            | 754                 | 55            | 116           | 693                 |
| <b>Private Sector Housing</b> – To cover developments within Private Sector Housing.   | 284                 | 0            | 22            | 262                 | 0             | 11            | 251                 |
| <b>Building Stronger Communities</b> –Promotes initiatives consistent with the Council's vision of "Strong communities with a bright future".            | 232                 | 105          | 0             | 337                 | 0             | 12            | 325                 |
| <b>Regulatory Services</b> - For Regulatory Services issues and to be used for any future issues arising from the shared services collaboration.         | 282                 | 0            | 0             | 282                 | 209           | 85            | 406                 |
| <b>Green Infrastructure and Climate Change</b> -To fund environmental initiatives across the Vale of Glamorgan   | 0                   | 0            | 0             | 0                   | 1,250         | 0             | 1,250               |
| <b>Shared Internal Audit Service</b> – Balance held by the Vale of Glamorgan on behalf of the shared service   | 0                   | 0            | 0             | 0                   | 318           | 0             | 318                 |
| <b>Other</b> - Various amounts set aside for education, planning, housing and community service issues.  | 1,518               | 335          | 292           | 1,561               | 208           | 121           | 1,648               |
| <b>Joint Committees</b> - This is the Council's proportion of reserves held by the Joint Committees, the use of which, is agreed by the Joint Committee. | 328                 | 439          | 36            | 731                 | 267           | 82            | 916                 |
| <b>Total Council Fund Reserves</b>   | <b>69,076</b>       | <b>9,195</b> | <b>10,746</b> | <b>67,525</b>       | <b>15,680</b> | <b>13,011</b> | <b>70,194</b>       |

|   | 31<br>March<br>2018 | Tfr In       | Tfr Out  | 31<br>March<br>2019 | Tfr In       | Tfr Out  | 31<br>March<br>2020 |
|---|---------------------|--------------|----------|---------------------|--------------|----------|---------------------|
| <b>Housing Revenue Account (HRA)</b>  |                     |              |          |                     |              |          |                     |
| <b>Housing Revenue Account -</b> The Authority maintains a Housing Revenue Account. This reserve is ringfenced by statute for use by the HRA. | 775                 | 1,893        | 0        | 2,668               | 5,280        | 0        | 7,948               |
| <b>Total HRA Reserves</b>   | <b>775</b>          | <b>1,893</b> | <b>0</b> | <b>2,668</b>        | <b>5,280</b> | <b>0</b> | <b>7,948</b>        |

## 12. Revenue Support Grant

The amount of Revenue Support Grant recorded as income is based on actuals received from Welsh Government in line with the figures provided as part of the final settlement which it received from Welsh Government in December 2018.

## 13. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for The Vale of Glamorgan Council and the Police and Crime Commissioner for South Wales (£15.311M) and Town and Community Councils (£2.920M) for the forthcoming year and dividing this amount by the council tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent, totalled across all bands for 2019/20.

This basic amount for a band D property (£1,245.06 in 2019/20) is multiplied by the proportion specified for the particular band to give the individual amount due.

Council Tax bills were based on the following proportions for Bands A to I:

| Council Tax Band | Proportion | No. of Properties |
|------------------|------------|-------------------|
| Band A           | 0.67       | 1,360             |
| Band B           | 0.78       | 6,321             |
| Band C           | 0.89       | 13,714            |
| Band D           | 1.00       | 11,217            |
| Band E           | 1.22       | 10,203            |
| Band F           | 1.44       | 7,179             |
| Band G           | 1.67       | 5,661             |
| Band H           | 2.00       | 2,204             |
| Band I           | 2.33       | 1,034             |
|                  |            | <b>58,893</b>     |

Council Tax collectable in 2019/20 can be calculated as:

|   | 2018/19       | 2019/20       |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Council Tax Collectable                         | 87,769        | 95,316        |
| Council Tax Reduction Scheme                    | (9,631)       | (10,007)      |
| Provision for non payment of Council Tax        | (118)         | (353)         |
| <b>Amount Due From Taxpayers Before Rebates</b> | <b>78,020</b> | <b>84,956</b> |
| Allocated to:                                   |               |               |
| South Wales Police Precept                      | 13,688        | 15,311        |
| Vale of Glamorgan County Council                | 71,296        | 76,732        |
| Council Tax Reduction Scheme                    | (9,631)       | (10,007)      |
| Town and Community Councils Precepts            | 2,667         | 2,920         |
|   |               |               |
| <b>Total</b>                                    | <b>78,020</b> | <b>84,956</b> |

#### 14. National Non-Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount (52.6p in 2019/20 and 51.4p in 2018/19); local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council collects rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Welsh Government. The sums paid into the pool are redistributed back to local authorities' Council Funds on the basis of a fixed amount per head of population. We received £41.76M in 2019/20 (£40.744M in 2018/19).

The NNDR billed to ratepayers, after reliefs etc. was £33,599,444 for 2019/20 (£33,674,549 in 2018/19) and was based on Year end rateable value for both 2019/20 at 31/03/20 being £81,934,277 and 2018/19 at 31/03/19 being £83,165,053.

## 15. Property, Plant and Equipment

| <b>Movement on Balance in 2018/19</b>                              | <b>Council Dwellings</b> | <b>Land &amp; Buildings</b> | <b>Vehicle Plant &amp; Equipment</b> | <b>Infrastructure</b> | <b>Community Asset</b> | <b>Assets under Construction</b> | <b>Surplus Assets</b> | <b>Total</b>    |
|--|--------------------------|-----------------------------|--------------------------------------|-----------------------|------------------------|----------------------------------|-----------------------|-----------------|
|  | <b>£'000</b>             | <b>£'000</b>                | <b>£'000</b>                         | <b>£'000</b>          | <b>£'000</b>           | <b>£'000</b>                     | <b>£'000</b>          | <b>£'000</b>    |
| <b>Cost or Valuation as at 1 April 2018</b>                        | <b>181,035</b>           | <b>365,103</b>              | <b>16,995</b>                        | <b>121,708</b>        | <b>3,860</b>           | <b>4,466</b>                     | <b>2,600</b>          | <b>695,767</b>  |
| Additions  | 9,987                    | 6,089                       | 1,202                                | 4,965                 | 0                      | 18,010                           | 0                     | 40,253          |
| Derecognition of accumulated depreciation & impairment to GCA      | 0                        | (13,105)                    | 0                                    | 0                     | 0                      |                                  | 0                     | (13,105)        |
| Revaluation increase   | 0                        | 7,476                       | 0                                    | 0                     | 0                      | 0                                | 0                     | 7,476           |
| Disposals  | (794)                    | (275)                       | (806)                                | 0                     | 0                      | 0                                | 0                     | (1,875)         |
| Transfers between asset classes                                    | 0                        | 3,132                       | 0                                    | 0                     | 0                      | (104)                            | 0                     | 3,028           |
| <b>Cost or Valuation as at 31 March 2019</b>                       | <b>190,228</b>           | <b>368,420</b>              | <b>17,391</b>                        | <b>126,673</b>        | <b>3,860</b>           | <b>22,372</b>                    | <b>2,600</b>          | <b>731,544</b>  |
| <b>Accumulated depreciation and impairment as at 1 April 2018</b>  | <b>(14,927)</b>          | <b>(16,311)</b>             | <b>(11,139)</b>                      | <b>(27,343)</b>       | <b>0</b>               | <b>0</b>                         | <b>0</b>              | <b>(69,720)</b> |
| Depreciation charge  | (1,326)                  | (5,950)                     | (1,414)                              | (2,947)               | 0                      | 0                                | 0                     | (11,637)        |
| Derecognition of accumulated depreciation to GCA                   | 0                        | 13,105                      | 0                                    | 0                     | 0                      | 0                                | 0                     | 13,105          |
| Impairment Losses  | (9,988)                  | (788)                       | 0                                    | 0                     | 0                      | 0                                | 0                     | (10,776)        |
| Transfers between asset classes                                    | 0                        | 33                          | 0                                    | 0                     | 0                      | 0                                | 0                     | 33              |
| Disposals  | 76                       | 82                          | 790                                  | 0                     | 0                      | 0                                | 0                     | 948             |
| <b>Accumulated Depreciation and Impairment as at 31 March 2019</b> | <b>(26,165)</b>          | <b>(9,829)</b>              | <b>(11,763)</b>                      | <b>(30,290)</b>       | <b>0</b>               | <b>0</b>                         | <b>0</b>              | <b>(78,047)</b> |

| <b>Net Book Value 2018/19</b> | <b>Council Dwellings</b> | <b>Land &amp; Buildings</b> | <b>Vehicle Plant &amp; Equipment</b> | <b>Infrastructure</b> | <b>Community Asset</b> | <b>Assets under Construction</b> | <b>Surplus Assets</b> | <b>Total</b> |
|-------------------------------|--------------------------|-----------------------------|--------------------------------------|-----------------------|------------------------|----------------------------------|-----------------------|--------------|
| At 31 March 2018              | 166,108                  | 348,792                     | 5,856                                | 94,365                | 3,860                  | 4,466                            | 2,600                 | 626,047      |
| At 31 March 2019              | 164,063                  | 358,591                     | 5,628                                | 96,383                | 3,860                  | 22,372                           | 2,600                 | 653,497      |

| <b>Movement on Balance in 2019/20</b>                              | <b>Council Dwellings</b> | <b>Land &amp; Buildings</b> | <b>Vehicle Plant &amp; Equipment</b> | <b>Infrastructure</b> | <b>Community Asset</b> | <b>Assets under Construction</b> | <b>Surplus Assets</b> | <b>Total</b>    |
|--|--------------------------|-----------------------------|--------------------------------------|-----------------------|------------------------|----------------------------------|-----------------------|-----------------|
|  | <b>£'000</b>             | <b>£'000</b>                | <b>£'000</b>                         | <b>£'000</b>          | <b>£'000</b>           | <b>£'000</b>                     | <b>£'000</b>          | <b>£'000</b>    |
| <b>Cost or Valuation as at 1 April 2019</b>                        | <b>190,228</b>           | <b>368,420</b>              | <b>17,391</b>                        | <b>126,673</b>        | <b>3,860</b>           | <b>22,372</b>                    | <b>2,600</b>          | <b>731,544</b>  |
| Additions  | 5,063                    | 4,757                       | 6,761                                | 9,925                 | 0                      | 18,879                           | 0                     | 45,385          |
| Joint Committee Additions  | 0                        | 0                           | 18                                   | 0                     | 0                      | 0                                | 0                     | 18              |
| Derecognition of accumulated depreciation & impairment to GCA      | (3)                      | (11,990)                    | (20)                                 | 0                     | 0                      | 0                                | 0                     | (12,013)        |
| Revaluation increase   | (342)                    | 12,217                      | 0                                    | 0                     | 0                      | 0                                | 0                     | 11,875          |
| Disposals  | (438)                    | (1,107)                     | (427)                                | 0                     | 0                      | 0                                | 0                     | (1,972)         |
| Transfers between asset classes                                    | 291                      | 4,015                       | 0                                    | 14,441                | 0                      | (18,672)                         | 0                     | 75              |
| <b>Cost or Valuation as at 31 March 2020</b>                       | <b>194,799</b>           | <b>376,312</b>              | <b>23,723</b>                        | <b>151,039</b>        | <b>3,860</b>           | <b>22,579</b>                    | <b>2,600</b>          | <b>774,912</b>  |
| <b>Accumulated depreciation and impairment as at 1 April 2019</b>  | <b>(26,165)</b>          | <b>(9,829)</b>              | <b>(11,763)</b>                      | <b>(30,290)</b>       | <b>0</b>               | <b>0</b>                         | <b>0</b>              | <b>(78,047)</b> |
| Depreciation charge  | (1,334)                  | (5,999)                     | (1,610)                              | (3,071)               | 0                      | 0                                | 0                     | (12,014)        |
| Derecognition of accumulated depreciation to GCA                   | 3                        | 11,990                      | 20                                   | 0                     | 0                      | 0                                | 0                     | 12,013          |
| Impairment Losses  | (4,958)                  | (901)                       | 0                                    | 0                     | 0                      | 0                                | 0                     | (5,859)         |
| Transfers between asset classes                                    | 0                        | (33)                        | 0                                    | 0                     | 0                      | 0                                | 0                     | (33)            |
| Disposals  | 48                       | 79                          | 409                                  | 0                     | 0                      | 0                                | 0                     | 536             |
| <b>Accumulated Depreciation and Impairment as at 31 March 2020</b> | <b>(32,406)</b>          | <b>(4,693)</b>              | <b>(12,944)</b>                      | <b>(33,361)</b>       | <b>0</b>               | <b>0</b>                         | <b>0</b>              | <b>(83,404)</b> |

| <b>Net Book Value 2019/20</b> | <b>Council Dwellings</b> | <b>Land &amp; Buildings</b> | <b>Vehicle Plant &amp; Equipment</b> | <b>Infrastructure</b> | <b>Community Asset</b> | <b>Assets under Construction</b> | <b>Surplus Assets</b> | <b>Total</b> |
|-------------------------------|--------------------------|-----------------------------|--------------------------------------|-----------------------|------------------------|----------------------------------|-----------------------|--------------|
| At 31 March 2019              | 164,063                  | 358,591                     | 5,628                                | 96,383                | 3,860                  | 22,372                           | 2,600                 | 653,497      |
| At 31 March 2020              | 162,393                  | 371,619                     | 10,779                               | 117,678               | 3,860                  | 22,579                           | 2,600                 | 691,508      |

### Depreciation

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

| Asset Class                  | Indicative Asset Life |
|------------------------------|-----------------------|
| Council Dwellings            | 100 years             |
| Other Land and Buildings     | 3-125 years           |
| Vehicles Plant and Equipment | 3-18 years            |
| Infrastructure               | 40 years              |
| Intangible Assets            | 5 years               |

### Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction, or enhancement of property, plant and equipment which will continue into 2020/21 and future years. Similar commitments at the 31<sup>st</sup> March 2019 were £24.686M. The major commitments are listed below;

| Scheme                                    | £'000         |
|---|---------------|
| 21 <sup>st</sup> Century Schools Band B   | 39,485        |
| Vehicles                                  | 2,689         |
| Waste Schemes                             | 2,560         |
| Housing Internal and External Works       | 2,243         |
| Housing New Builds                        | 1,610         |
| Leisure Centres Upgrade Works             | 370           |
| Social Services Dementia Friendly Schemes | 355           |
| Local Transport Fund Scheme               | 332           |
| Community Facilities                      | 212           |
| BSC2 Refurbishment                        | 161           |
| TRI Grant Schemes                         | 130           |
| Civic Office Works                        | 120           |
| Play Area Refurbishment                   | 114           |
| <b>Total</b>                              | <b>50,381</b> |

### Costs of Disposal

Costs of disposing of assets will be set against the capital receipt where it does not exceed 4% of the capital receipt value, or projected capital receipt value where the receipt has not yet been realised. During the 2019/20 financial year costs were set against capital receipts for the following disposal and demolition of assets:

| Asset Name                           | 2019/20   |
|--------------------------------------|-----------|
|                                      | £'000     |
| Land Payment WG (Innovation Quarter) | 71        |
| Demolition Costs                     | 9         |
| Other Marketing and Disposal Costs   | 4         |
|                                      | <b>84</b> |

### Revaluations

The Council Dwellings and Other Land and Buildings etc. are revalued on a rolling 5 year programme by a MRICS external valuer.

| Asset Class                       | Most Recent Valuation | Valuation Completed By       | Next Valuation Due |
|-----------------------------------|-----------------------|------------------------------|--------------------|
| Schools and Social Service Assets | 2018/19               | FRICS valuer<br>Avison Young | 2023/24            |
| Other Land and Buildings          | 2019/20               | FRICS valuer<br>Avison Young | 2024/25            |
| Council Dwellings                 | 2016/17               | Bruton Knowles               | 2021/22            |
| Surplus Assets                    | 2019/20               | FRICS valuer<br>Avison Young | 2020/21            |

Note 4 to the accounts sets out the valuation uncertainty reported by the FRICs valuer on the 2019/20 valuation of Other Land and Buildings.

### Impairment

The Council asked key staff to identify any assets that need to be reviewed for impairment, and no assets were identified as part of this process.

When capital expenditure is complete, a review is carried out by a RICS valuer working for Avison Young for all expenditure in excess of £250k to determine how much of this expenditure results in either an increase in asset value or an impairment.

### Retentions

As at the 31 March 2020 £1.441M (£1.062M as at 31 March 2019) has been deducted from payments to contractors to protect the Authority from situations such as the contractor going bankrupt during the defects liability period. Normally a proportion of the retention is paid on practical completion; the balance following the defects liability period stipulated in the contract, subject to any defects being made good.

### Heritage Assets

The Authority has reviewed its assets and given consideration to the presentation of those assets that would have a heritage connection. The Council considers that it does not hold any material distinct assets that could be classed as heritage assets. In addition the Authority holds a number of items that can be grouped under the heading 'civic regalia'; which are used on ceremonial occasions during the Council's year. There is no known value for 'civic regalia' as at 31 March 2020 (although it is unlikely to be significant). It was felt that any external valuation costs of 'civic regalia' would not be cost effective compared to the benefits to the users of the Authority's financial statement. Taking account of this 'civic regalia' has not been recognised as a Heritage Asset in the Balance Sheet.

## 16. Fair Value Hierarchy – Surplus Assets

| Fair Value Measurements<br>Surplus Assets | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Other significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) | Total |
|---|--|--|--|-------|
|   | £'000  | £'000  | £'000  | £'000 |
| Total 31st March 2019                     | 0  | 2,600  | 0  | 2,600 |
| Total 31st March 2020                     | 0  | 2,600  | 0  | 2,600 |

### Transfers between levels of the Fair Value Hierarchy

There were no movements in the valuation hierarchy during 2019/20

### Valuation Techniques used to Determine Level 2 and 3 Fair Values

The Valuation of Surplus Assets was carried out by a RICS qualified external valuer, Avison Young. The Valuation techniques considered comparable resale and new build properties in the area. The Valuer considered Leisure/Retail, Commercial and Residential possibilities in addition to planning considerations.

## 17. Assets Held for Sale

|   | Current          |                  | Non Current      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 31 March<br>2019 | 31 March<br>2020 | 31 March<br>2019 | 31 March<br>2020 |
|   | £'000            | £'000            | £'000            | £'000            |
| <b>Balance outstanding at start of year</b> | <b>8,310</b>     | <b>168</b>       | <b>0</b>         | <b>0</b>         |
| Assets newly classified as held for sale    | 43               | 0                | 0                | 0                |
| Revaluation losses                          | 0                | 0                | 0                | 0                |
| Reclassified as Operational Assets          | (3,102)          | (43)             | 0                | 0                |
| Disposal                                    | (5,083)          | (125)            | 0                | 0                |
| <b>Balance outstanding at year end</b>      | <b>168</b>       | <b>0</b>         | <b>0</b>         | <b>0</b>         |

**18. Capital Expenditure and Capital Financing**

|  | 2018/19        | 2019/20        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Opening Capital Financing Requirement</b>   | <b>197,936</b> | <b>198,347</b> |
| <b>Plus: Capital Investment</b>  |                |                |
| Council Dwellings  | 9,987          | 5,063          |
| Other Land and Buildings   | 6,089          | 4,757          |
| Vehicle, Plant and Equipment   | 1,164          | 6,761          |
| Infrastructure   | 4,965          | 9,925          |
| Assets Under Construction  | 16,696         | 18,879         |
| Disposal and Demolition Costs  | 84             | 84             |
| Intangible Assets  | 56             | 0              |
| Revenue Expenditure Funded from Capital under Statute                                  | 4,342          | 7,419          |
|  |                |                |
| <b>Less: Sources of Finance</b>  |                |                |
| Capital Receipts   | (3,355)        | (1,435)        |
| Government Grants and Other Contributions  | (24,196)       | (41,199)       |
| <b>Less: Sums set aside from revenue</b>   |                |                |
| Direct Revenue Contributions   | (10,429)       | (4,383)        |
| Minimum Revenue Provision( inc. Voluntary)   | (4,992)        | (5,140)        |
| <b>Closing Capital Financing Requirement</b>   | <b>198,347</b> | <b>199,078</b> |
| <b>Explanation of movements in year</b>  |                |                |
| Increase in underlying need to borrow (unsupported by Government Financial Assistance) | 411            | 731            |
| <b>Increase /(Decrease) in Capital Financing Requirement</b>                           | <b>411</b>     | <b>731</b>     |

The Capital Investment figures and Direct Revenue Contributions shown above exclude Vehicles and Equipment of £17k held in the Shared Regulatory Joint Committee.

The Capital Investment figures exclude a City Deal Joint Committee adjustment of £28k.

**19. Financial Instruments**

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

|  | Long Term      |                | Short Term     |                |
|--|----------------|----------------|----------------|----------------|
|  | 31/03/19       | 31/03/20       | 31/03/19       | 31/03/20       |
|  | £'000          | £'000          | £'000          | £'000          |
| <b>Financial Assets at Amortised Cost</b>      |                |                |                |                |
| Investments                                    | 2              | 2              | 81,321         | 87,105         |
| Debtors  | 236            | 1,166          | 27,581         | 21,670         |
| Cash and Cash Equivalents                      | 0              | 0              | 12,048         | 13,201         |
| <b>Total Financial Assets</b>                  | <b>238</b>     | <b>1,168</b>   | <b>120,950</b> | <b>120,976</b> |
| <b>Financial Liabilities at Amortised cost</b> |                |                |                |                |
| Borrowings                                     | 153,506        | 152,275        | 2,569          | 2,579          |
| Creditors                                      | 6,617          | 9,652          | 34,109         | 32,134         |
| <b>Total Financial Liabilities</b>             | <b>160,123</b> | <b>161,927</b> | <b>36,678</b>  | <b>34,713</b>  |

- The above short term debtors balance at 31<sup>st</sup> March 2020 excludes £12.615M of non contractual balances (£5.472M in 2018/19) that do not meet the definition of financial assets at amortised cost.
- The above short term creditors balance at 31<sup>st</sup> March 2020 excludes £1.003M of non contractual balances (£0.996M in 2018/19) that do not meet the definition of financial liabilities at amortised cost.

| <b>Financial Liabilities at Amortised Cost (Borrowing) Reconciliation</b> | <b>PWLB</b>    | <b>Market Loans</b> | <b>Other</b> | <b>Total</b>   |
|---|----------------|---------------------|--------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>   |
| Principal Amount  | 145,210        | 8,600               | 100          | 153,910        |
| Accruals  | 1,168          | 18                  | 0            | 1,186          |
| Other Accounting Adjustments  | 0              | (242)               | 0            | (242)          |
| <b>Total Borrowing measured at Amortised Cost</b>                         | <b>146,378</b> | <b>8,376</b>        | <b>100</b>   | <b>154,854</b> |
| Short Term Borrowing  | 1,961          | 518                 | 100          | 2,579          |
| Long Term Borrowing   | 144,417        | 7,858               | 0            | 152,275        |
| <b>Financial Liabilities at Amortised Cost</b>                            | <b>146,378</b> | <b>8,376</b>        | <b>100</b>   | <b>154,854</b> |

Income, Expense, Gains and Losses

| 2018/19        |  | 2019/20  |                                  |  |                |
|----------------|--|--|----------------------------------|--|----------------|
| Total          |  | Financial Liabilities measured at Amortised cost | Financial Assets: Amortised Cost | Financial Assets: Fair Value through Profit and Loss | Total          |
|                |  | £'000  | £'000                            | £'000  | £'000          |
| (7,300)        | Interest Expense   | (7,280)  | 0                                | 0  | (7,280)        |
| <b>(7,300)</b> | <b>Total Expense in Deficit on the Provision of Services</b> | <b>(7,280)</b>                                   | <b>0</b>                         | <b>0</b>   | <b>(7,280)</b> |
| 594            | Interest Income  | 884  | 0                                | 0  | 884            |
| <b>594</b>     | <b>Total Income in Deficit on the Provision of Services</b>  | <b>884</b>                                       | <b>0</b>                         | <b>0</b>   | <b>884</b>     |
| <b>(6,706)</b> | <b>Net gains/losses from financial instruments</b>           | <b>(6,396)</b>                                   | <b>0</b>                         | <b>0</b>   | <b>(6,396)</b> |

**Fair Value of Assets and Liabilities**

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2020 are the PWLB / market set of rates in force on that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be invoiced or billed amount.

Short Term Debtors and Creditors are carried at cost as this is a fair approximation of their value. The fair values calculated are as follows:

|                       | Loan Principal 31 March 2019 | Carrying Amount 31 March 2019 | Fair Value 31 March 2019 | Loan Principal 31 March 2020 | Carrying Amount 31 March 2020 | Fair Value 31 March 2020 |
|-----------------------|------------------------------|-------------------------------|--------------------------|------------------------------|-------------------------------|--------------------------|
|                       | £'000                        | £'000                         | £'000                    | £'000                        | £'000                         | £'000                    |
| Financial Liabilities | 155,145                      | 156,075                       | 201,740                  | 153,910                      | 154,854                       | 197,457                  |

The fair values as at 31 March 2019 and 2020 do not include Joint Committee Liabilities.

The fair value is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

#### Fair Value Hierarchy for Financial Instruments that are not measured at Fair Value

| Recurring Fair Value Measurements using; | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total          |
|--|--|---|---|----------------|
|  | £'000  | £'000   | £'000                                     | £'000          |
| As at 31 <sup>st</sup> March 2019        |  |   |   |                |
| Financial Liabilities                    | 0  | 201,740                                       | 0   | 201,740        |
| Loans and Borrowings                     | 0  | 0   | 0   | 0              |
| Long Term Creditors                      | 0  | 0   | 0   | 0              |
| <b>Total</b>                             | <b>0</b>   | <b>201,740</b>                                | <b>0</b>                                  | <b>201,740</b> |
| Recurring Fair Value Measurements using; | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total          |
|  | £'000  | £'000   | £'000                                     | £'000          |
| As at 31 <sup>st</sup> March 2020        |  |   |   |                |
| Financial Liabilities                    | 0  | 197,457                                       | 0   | 197,457        |
| Loans and Borrowings                     | 0  | 0   | 0   | 0              |
| Long Term Creditors                      | 0  | 0   | 0   | 0              |
| <b>Total</b>                             | <b>0</b>   | <b>197,457</b>                                | <b>0</b>                                  | <b>197,457</b> |

#### Valuation Techniques used to Determine Level 2 and 3 Fair Values

Level 2 valuations for Market Loans including LOBOs have been calculated by Link Asset Management Limited and incorporate PWLB rates and discussions with possible new market participants for Local Authority borrowing. The Level 2 valuations for PWLB have also been calculated by Link Asset Management Limited utilising data available on the Debt Management Office website.

**20. Debtors**

|                                       | 31 March 2019<br>Restated | 31 March 2020 |
|---------------------------------------|---------------------------|---------------|
|                                       | £'000                     | £'000         |
| Central government bodies             | 13,329                    | 17,653        |
| Other local authorities               | 11,198                    | 7,182         |
| NHS bodies                            | 3,996                     | 2,691         |
| Public corporations and trading funds | 6                         | 21            |
| Trade debtors                         | 671                       | 769           |
| Prepayments                           | 452                       | 843           |
| Other entities and individuals        | 8,145                     | 9,268         |
| <b>Gross Total</b>                    | <b>37,797</b>             | <b>38,427</b> |
| Less: Provision for Bad Debts         | (4,744)                   | (5,142)       |
| <b>Total</b>                          | <b>33,053</b>             | <b>33,285</b> |

The Debtors balance as at 31<sup>st</sup> March 2020 includes £3.725M NNDR relief grants paid in 2019/20.

**21. Cash and Cash Equivalents**

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

| 31/03/2019    |  | 31/03/2020    |
|---------------|--|---------------|
| £'000         |  | £'000         |
| 1,314         | Cash held by the Authority and at Bank | (1,893)       |
| 2,634         | Joint Committee Cash                   | 4,094         |
| 8,100         | Short-term Investment                  | 11,000        |
| <b>12,048</b> | <b>Total Cash and Cash Equivalents</b> | <b>13,201</b> |

**22. Creditors**

| 31/3/2019<br>Restated |                                       | 31/3/2020     |
|-----------------------|---------------------------------------|---------------|
| £'000                 |                                       | £'000         |
| 3,604                 | Central government bodies             | 3,215         |
| 11,767                | Other local authorities               | 7,620         |
| 141                   | NHS bodies                            | 311           |
| 126                   | Public corporations and trading funds | 140           |
| 9,968                 | Trade creditors                       | 10,662        |
| 1,920                 | Receipts in advance                   | 2,324         |
| 2,813                 | Accumulated absences                  | 3,459         |
| 4,766                 | Other entities and individuals        | 5,406         |
| <b>35,105</b>         | <b>Total</b>                          | <b>33,137</b> |

## 23. Provisions

|                                 | Insurance<br>£'000 | MMI<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---------------------------------|--------------------|--------------|----------------|----------------|
| <b>Balance at 31 March 2018</b> | <b>2,002</b>       | <b>300</b>   | <b>663</b>     | <b>2,965</b>   |
| Additional provisions made      | 0                  | 0            | 35             | 35             |
| Amounts used / Transfer out     | (352)              | 0            | (285)          | (637)          |
| <b>Balance at 1 April 2019</b>  | <b>1,650</b>       | <b>300</b>   | <b>413</b>     | <b>2,363</b>   |
| Additional provisions made      | 0                  | 50           | 41             | 91             |
| Amounts used / Transfer out     | (436)              | 0            | (141)          | (577)          |
| <b>Balance at 1 April 2020</b>  | <b>1,214</b>       | <b>350</b>   | <b>313</b>     | <b>1,877</b>   |

The closing provision balance of £1.877M is made up of £492k considered to be long term and £1.385M expected to fall due within 12 months.

1. Insurance - This provision covers all known claims as at 31 March 2020. These include provisions for public and employers liability, motor vehicle, buildings plus a number of risks insured internally, which cannot be covered economically by conventional external insurance. The excesses for 2019/20 are £75,000 for all property claims, £25k on fidelity guarantee covering internal and external fraud, £1k on computers and £175k on all other claim types.
2. MMI - The Scheme administrators may well require the Authority to contribute a further levy. A total of £350k has been set aside to meet this potential liability. Further information is included within note 38 - Contingent Liability.
3. Other - Included within this figure is a sum of £128k for Housing Committed Bonds and £123k in respect of the Vale of Glamorgan Council's share of the City Deal accounts.

## 24. Other Long Term Liabilities

An analysis of Other Liabilities that will not be settled for 12 months is given in the following table:

| 31/03/19     |  | 31/03/20     |
|--------------|--|--------------|
| £'000        |  | £'000        |
| 2,546        | City Deal Joint Committee  | 3,772        |
| 1,627        | Welsh Government Home Improvement Loans                                      | 1,627        |
| 1,045        | Welsh Government Town Centre Improvement Loans                               | 1,046        |
| 1,399        | Long Term Receipts in Advance including commuted sums and S278 contributions | 3,207        |
| <b>6,617</b> | <b>Total</b>   | <b>9,652</b> |

**25. Usable Reserves**

| 31/03/19       |                                  | 31/03/20       |
|----------------|----------------------------------|----------------|
| £'000          |                                  | £'000          |
| 13,636         | Council Fund                     | 12,814         |
| 67,525         | Earmarked General Fund Reserves  | 70,194         |
| 2,668          | Housing Revenue Account          | 7,948          |
| 15,124         | Capital Receipts Reserve         | 16,475         |
| 6,196          | Capital Grants Unapplied Account | 3,704          |
| <b>105,149</b> | <b>Total Usable Reserves</b>     | <b>111,135</b> |

An analysis of the Earmarked General Fund Reserves are shown in note 11.

**26. Unusable Reserves**

| 31/03/19       |  | 31/03/20       |
|----------------|--|----------------|
| £'000          |  | £'000          |
| 67,522         | Revaluation Reserve                      | 72,882         |
| 388,582        | Capital Adjustment Account               | 419,898        |
| (394)          | Financial Instruments Adjustment Account | (456)          |
| 11             | Deferred Capital Receipts Reserve        | 11             |
| (220,472)      | Pensions Reserve                         | (268,245)      |
| (2,850)        | Accumulated Absences Account             | (3,502)        |
| <b>232,399</b> | <b>Total Unusable Reserves</b>           | <b>220,588</b> |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from its Property, Plant and Equipment and Intangible Assets.

| 2018/19       | Revaluation Reserve   | 2019/20       |
|---------------|---|---------------|
| £'000         |   | £'000         |
| <b>68,001</b> | <b>Balance at 1 April</b>   | <b>67,522</b> |
| (6,339)       | Downward revaluation of assets and Impairment losses not charged to the Provision of Services | (3,705)       |
| 8,106         | Upward revaluation of assets  | 10,848        |
| (390)         | Difference between fair value depreciation and historical cost depreciation                   | (663)         |
| 0             | Amount adjusted for Correction on Joint Committee   | 0             |
| (1,856)       | Amount written off to the Capital Adjustment Account following disposal                       | (1,120)       |
| <b>67,522</b> | <b>Balance at 31 March</b>  | <b>72,882</b> |

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.

### 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 also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2018/19        | Capital Adjustment Account   | 2019/20        |
|----------------|--|----------------|
| £'000          |  | £'000          |
| <b>369,094</b> | <b>Balance at 1 April</b>  | <b>388,582</b> |
|                | <b>Reversal of items relating to capital expenditure debited or credited to the CIES</b>                       |                |
| (17,586)       | Charges for depreciation and impairment of non current assets  | (15,336)       |
| (236)          | Amortisation of intangible assets  | (244)          |
| (4,342)        | Revenue expenditure funded from capital under statute  | (7,447)        |
| (6,094)        | Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (1,717)        |
| 3,132          | Other (Adjusting amounts written out of the Revaluation Reserve etc.)  | 3,887          |
|                | <b>Capital financing applied in year:</b>  |                |
| 3,355          | Use of the Capital Receipts Reserve to finance new capital expenditure   | 1,435          |
| 2,759          | Use of the Major Repairs Reserve to finance new capital expenditure  | 2,760          |
| 26,825         | Capital grants and contributions credited to the CIES that have been applied to capital financing              | 35,947         |
| (4,345)        | Application of grants to capital financing from the Government Grants Unapplied Account                        | 2,492          |
| 5,526          | Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances  | 5,140          |
| 10,494         | Capital Expenditure charged against the Council Fund and HRA balances  | 4,399          |
| <b>388,582</b> | <b>Balance at 31 March</b>   | <b>419,898</b> |

### Financial Instruments Adjustment Account

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

| 2018/19      | Financial Instruments Account   | 2019/20      |
|--------------|---|--------------|
| £'000        |   | £'000        |
| <b>(335)</b> | <b>Balance at 1 April</b>   | <b>(394)</b> |
| (59)         | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | (62)         |
| <b>(394)</b> | <b>Balance at 31 March</b>  | <b>(456)</b> |

### 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.

| 2018/19          | The Pensions Reserve   | 2019/20          |
|------------------|--|------------------|
| £'000            |  | £'000            |
| <b>(215,523)</b> | <b>Balance at 1 April</b>  | <b>(220,472)</b> |
| 8,890            | Remeasurements of the net defined benefit liability  | (37,852)         |
| (5,291)          | Adjustment against the net defined benefit liability for the McCloud Ruling  | 5,291            |
| (21,912)         | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (30,780)         |
| 13,364           | Employer's pension contributions and direct payments to pensioners payable in the year   | 15,678           |
|                  | Transfers in/out comprising.   |                  |
| 0                | Adjust for Foundation School Pension Fund  | (2,180)          |
| 0                | Transfer for BFCC Historic Pension Liabilities (Note 37)   | 2,070            |
| <b>(220,472)</b> | <b>Balance at 31 March</b>   | <b>(268,245)</b> |

An analysis of the Pension Reserve by pension fund is set out below. An analysis of the actuarial calculation of the Vale of Glamorgan Council Pension fund at 31<sup>st</sup> March 2020 is included in note 37 to the accounts.

| 2018/19          | The Pensions Reserve                       | 2019/20          |
|------------------|--|------------------|
| £'000            |  | £'000            |
| (218,025)        | Vale of Glamorgan Council                  | (262,339)        |
| 0                | Foundation School                          | (2,870)          |
| (2,320)          | Joint Committee Shared Regulatory Services | (2,617)          |
| (174)            | Joint Committee Regional Adoption Service  | (198)            |
| 47               | Joint Committee Central South Consortium   | (221)            |
| <b>(220,472)</b> | <b>Balance at 31 March</b>                 | <b>(268,245)</b> |

#### Deferred Capital Receipts Reserve

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

| 2018/19   | Deferred Capital Receipts Reserve                             | 2019/20   |
|-----------|---|-----------|
| £'000     |   | £'000     |
| <b>11</b> | <b>Balance at 1 April</b>                                     | <b>11</b> |
| (0)       | Transfer to the Capital Receipts Reserve upon receipt of cash | (0)       |
| <b>11</b> | <b>Balance at 31 March</b>                                    | <b>11</b> |

#### Accumulated Absences Account

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

| 2018/19        | Accumulated Absences Account  | 2019/20        |
|----------------|---|----------------|
| £'000          |   | £'000          |
| <b>(3,118)</b> | <b>Balance at 1 April</b>   | <b>(2,850)</b> |
| (2,850)        | Amounts accrued at the end of the current year  | (3,502)        |
| 3,118          | Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements. | 2,850          |
| <b>(2,850)</b> | <b>Balance at 31 March</b>  | <b>(3,502)</b> |

## 27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2018/19 |                   | 2019/20 |
|---------|-------------------|---------|
| £'000   |                   | £'000   |
| 556     | Interest Received | 846     |
| (7,489) | Interest Paid     | (7,266) |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 2018/19       |   | 2019/20       |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 16,698        | Depreciation and Impairment and Downward Valuations   | 13,176        |
| 236           | Amortisation  | 244           |
| 59            | Soft Loans (non-subsiary)   | 62            |
| (1,701)       | Increase / (Decrease) in creditors  | (3,251)       |
| (2,313)       | (Increase) / Decrease in debtors  | 2,562         |
| (11)          | (Increase) / Decrease in inventories  | (37)          |
| 13,840        | Movement in pension liability   | 7,741         |
| (661)         | Contribution to / from Provisions   | (486)         |
| 6,094         | Carrying amount of non-current assets and non current assets held for sale, sold or de-recognised | 1,717         |
| <b>32,241</b> | <b>Adjustments to net surplus or deficit on the provision of services for non-cash movements.</b> | <b>21,728</b> |

## 28. Members Allowances

The Authority paid the following amounts to members of the Council during the year. This disclosure has been restated in 2018/19 to include payments to Co-opted Members.

|              | 2018/19<br>Restated | 2019/20    |
|--------------|---------------------|------------|
|              | £'000               | £'000      |
| Salaries     | 637                 | 651        |
| Allowances   | 220                 | 220        |
| Expenses     | 2                   | 1          |
| <b>Total</b> | <b>859</b>          | <b>872</b> |

## 29. External Audit Costs

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

|  | 2018/19    | 2019/20    |
|--|------------|------------|
|  | £'000      | £'000      |
| Fees payable to Audit Wales with regard to external audit services carried out by the appointed auditor. | 164        | 164        |
| Fees payable to Audit Wales in respect of statutory inspections  | 97         | 97         |
| Fees payable to Audit Wales for the certification of grant claims and returns                            | 57         | 62         |
| Fees payable in respect of other services provided by Audit Wales.                                       | 0          | 0          |
| <b>Total</b>   | <b>318</b> | <b>323</b> |

## 30. Employees Emoluments

### Remuneration Ratio

The remuneration ratio is arrived at by taking the median amount of remuneration for 2019/20 for all Vale of Glamorgan employees (excluding those employed by a Voluntary Aided or Foundation School) as at 31<sup>st</sup> March 2020. This Median remuneration is then compared to the annualised remuneration for the Head of Paid Service in the Council which is the Managing Director. In 2019/20 the remuneration ratio is 1:6 and in 2018/19 the remuneration ratio was 1:6.

### Officers remunerated in excess of £60,000

The Returning Officer's remuneration is not included in the table below (£4,981 in 2018/19 and £12,519 in 2019/20 including pension contributions) and has been paid in accordance with the WG Guidance on remuneration.

Senior Officers whose remuneration is included in the senior officers emoluments disclosure are also included in the bandings table. Staff employed by a voluntary aided or Roman Catholic aided schools are excluded from the remuneration bandings calculation.

The number of employees whose remuneration excluding employer's pension contributions was £60,000 or more in bands of £5,000 are shown in the following table:

| Remuneration Band | 2018/19<br>Total<br>Number of<br>Employees | 2019/20<br>Number of<br>Teaching<br>Employees | 2019/20<br>Number of<br>Non<br>Teaching<br>Employees | 2019/20<br>Total<br>Number of<br>Employees |
|-------------------|--|---|--|--|
| £60,000-£64,999   | 22   | 22  | 2  | 24   |
| £65,000-£69,999   | 15   | 11  | 1  | 12   |
| £70,000-£74,999   | 8  | 7   | 1  | 8  |
| £75,000-£79,999   | 5  | 5   | 5  | 10   |
| £80,000-£84,999   | 3  | 2   | 2  | 4  |
| £85,000-£89,999   | 3  | 2   | 3  | 5  |
| £90,000-£94,999   | 2  | 0   | 0  | 0  |
| £95,000-£99,999   | 3  | 3   | 1  | 4  |
| £100,000-£104,999 | 2  | 0   | 2  | 2  |
| £105,000-£109,999 | 0  | 0   | 0  | 0  |
| £110,000-£114,999 | 0  | 0   | 0  | 0  |
| £115,000-£119,999 | 1  | 1   | 0  | 1  |
| £120,000-£124,999 | 0  | 0   | 0  | 0  |
| £125,000-£129,999 | 1  | 0   | 0  | 0  |
| £130,000-£134,999 | 1  | 1   | 1  | 2  |
| <b>Total</b>      | <b>66</b>                                  | <b>54</b>                                     | <b>18</b>  | <b>72</b>                                  |

The number of employees above excludes Teaching positions employed by their Governing Body. The remuneration bands include expenses chargeable to United Kingdom income tax.

#### 2018/19 Senior Officers Emoluments

| Post Holder Information                                     | Salary  | Expense Allowances | Pension Contribution | Total Remuneration |
|---|---------|--------------------|----------------------|--------------------|
|   | £       | £                  | £                    | £                  |
| Managing Director   | 132,284 | 0                  | 30,558               | 162,842            |
| Director of Social Services                                 | 93,265  | 0                  | 21,544               | 114,809            |
| Director of Environment and Housing Services                | 100,825 | 0                  | 23,291               | 124,116            |
| Director of Learning and Skills                             | 95,785  | 0                  | 22,126               | 117,911            |
| Head of Finance   | 86,500  | 0                  | 19,981               | 106,481            |
| Head of Legal Services (Monitoring Officer)                 | 86,500  | 0                  | 19,981               | 106,481            |
| Head of Human Resources (to 2 <sup>nd</sup> September 2018) | 36,522  | 0                  | 8,437                | 44,959             |
| Head of Regeneration and Planning                           | 74,537  | 0                  | 17,218               | 91,755             |

|  |        |   |        |        |
|--|--------|---|--------|--------|
| Head of Policy (from 2 <sup>nd</sup> September 2018) | 44,595 | 0 | 10,301 | 54,896 |
|--|--------|---|--------|--------|

#### 2019/20 Senior Officers Emoluments

| Post Holder Information                                      | Salary  | Expense Allowances | Pension Contribution | Total Remuneration |
|--|---------|--------------------|----------------------|--------------------|
|  | £       | £                  | £                    | £                  |
| Managing Director  | 134,930 | 0                  | 31,169               | 166,099            |
| Director of Social Services                                  | 97,701  | 0                  | 22,569               | 120,270            |
| Director of Environment and Housing Services                 | 102,842 | 0                  | 23,757               | 126,599            |
| Director of Learning and Skills                              | 100,273 | 0                  | 23,163               | 123,436            |
| Head of Finance  | 88,231  | 0                  | 20,381               | 108,612            |
| Head of Legal Services (Monitoring Officer)                  | 88,231  | 0                  | 20,381               | 108,612            |
| Head of Human Resources (from 1/10/19)                       | 37,041  | 0                  | 8,556                | 45,597             |
| Head of Regeneration and Planning                            | 77,978  | 0                  | 18,013               | 95,991             |
| Head of Policy (to 2/06/2019)                                | 13,430  | 0                  | 3,102                | 16,532             |
| Head of Policy and Business Transformation (from 21/06/2019) | 53,326  | 0                  | 12,318               | 65,644             |

The Head of Policy reported to the Head of Human Resources prior to 2<sup>nd</sup> September 2018 after which the post reported to the Managing Director.

The Head of Policy retired on 2<sup>nd</sup> June 2019 and the Head of Policy and Business Transformation post was filled from 21<sup>st</sup> June 2019.

The Head of Human Resources post was vacant from 2<sup>nd</sup> September 2018 to 1<sup>st</sup> October 2019.

The Pension Contribution shown above includes the deficit recovery element of the contributions made to Cardiff and Vale Pension Fund.

#### Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the tables below.

Teachers are included even where appointed by the Governing body, as the liability for redundancy costs is with the Authority rather than the school.

| 2018/19                           |  |  |   | 2019/20                           |  |  |
|-----------------------------------|--|--|---|-----------------------------------|--|--|
| Number of other departures agreed | Total number of exit packages by cost band | Total cost of exit packages in each band | Exit Package cost band (including special payments) | Number of other departures agreed | Total number of exit packages by cost band | Total cost of exit packages in each band |
|                                   |  | £  | £   |                                   |  | £  |
| 51                                | 51   | 303,758                                  | 0-20,000  | 20                                | 20   | 171,357                                  |
| 13                                | 13   | 378,613                                  | 20,001-40,000                                       | 6                                 | 6  | 180,181                                  |
| 0                                 | 0  | 0  | 40,001-60,000                                       | 0                                 | 0  | 0  |
| 0                                 | 0  | 0  | 60,001-80,000                                       | 0                                 | 0  | 0  |
| 0                                 | 0  | 0  | 80,001-110,000                                      | 0                                 | 0  | 0  |
| 0                                 | 0  | 0  | 110,000-150,000                                     | 0                                 | 0  | 0  |
|                                   |  | 682,371                                  | Total   |                                   |  | 351,538                                  |

### 31. Grant Income

The Authority credited the following grants, contributions and donations to services.

|   | 2018/19 | 2019/20 |
|---|---------|---------|
| Credited to Services                            | £'000   | £'000   |
| Department for Works and Pensions               | 38,319  | 33,875  |
| Welsh Government                                | 20,783  | 25,823  |
| Youth Justice Board                             | 143     | 143     |
| Police & Crime Commissioner                     | 57      | 57      |
| Sports Wales/Disability Sports Wales            | 270     | 252     |
| Public Health Wales                             | 129     | 129     |
| Arts Council                                    | 30      | 27      |
| European Rural Development Programme            | 346     | 306     |
| Rural Payments Agency                           | 190     | 157     |
| Education Workforce Council                     | 105     | 120     |
| Cabinet Office                                  | 73      | 570     |
| Ministry of Defence                             | 92      | 0       |
| Wildlife Trust Service                          | 12      | 0       |
| Home Office                                     | 22      | 0       |
| Welsh Local Government Association              | 45      | 450     |
| Dept for Business, Energy & Industrial Strategy | 13      | 0       |
| Lottery   | 21      | 87      |
| Natural Resources Wales                         | 0       | 41      |
| Keep Wales Tidy                                 | 0       | 30      |

|              |               |               |
|--------------|---------------|---------------|
| Other        | 27            | 41            |
| <b>Total</b> | <b>60,677</b> | <b>62,108</b> |

### Capital Grants Received in Advance

|   | 2018/19       | 2019/20       |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Section 106 agreements – unapplied              | 22,459        | 26,729        |
| WG Capital Grants                               | 698           | 698           |
| <b>Total Capital Grants Received in Advance</b> | <b>23,157</b> | <b>27,427</b> |
| The amount has been apportioned as follows:     |               |               |
| To be applied within one year                   | 9,592         | 13,276        |
| To be applied after one year                    | 13,565        | 14,151        |
| <b>Total</b>                                    | <b>23,157</b> | <b>27,427</b> |

## 32. Joint Committees

The Council is a member of a number of Joint Committees and the unaudited accounts have been consolidated into the Council's Financial Statements on a line by line basis calculated using a reasonable apportionment methodology e.g. population, Education Indicator Based Assessment Share. The Joint Committees consolidated are;

### 1. Shared Regulatory Service

The Shared Regulatory Service was created on 1st May 2015 to provide a range of regulatory services across Cardiff, Bridgend and the Vale of Glamorgan. The Council is the host authority for the service.

| Shared Regulatory Service 2018/19 | Vale of Glamorgan Council Share 2018/19 | Income and Expenditure Statement                    | Shared Regulatory Service 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|-----------------------------------|---|---|-----------------------------------|---|
| £'000                             | £'000                                   |   | £'000                             | £'000                                   |
| 10,047                            | 2,099                                   | Operating Expenditure                               | 10,272                            | 2,057                                   |
| (890)                             | (179)                                   | Operating Income                                    | (1,100)                           | (220)                                   |
| <b>9,157</b>                      | <b>1,920</b>                            | <b>Net Cost of Services</b>                         | <b>9,172</b>                      | <b>1,837</b>                            |
| (8,117)                           | (1,745)                                 | Finance and Investment Income and Expenditure       | (7,821)                           | (1,560)                                 |
| <b>1,040</b>                      | <b>175</b>                              | <b>(Surplus) / Deficit on Provision of Services</b> | <b>1,351</b>                      | <b>277</b>                              |
| (380)                             | (75)                                    | Other Comprehensive Income and Expenditure          | 326                               | 63                                      |
| <b>660</b>                        | <b>100</b>                              | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>1,677</b>                      | <b>340</b>                              |

| Shared Regulatory Service 2018/19 | Vale of Glamorgan Council Share 2018/19 | Balance Sheet                      | Shared Regulatory Service 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|-----------------------------------|---|------------------------------------|-----------------------------------|---|
| £'000                             | £'000                                   |                                    | £'000                             | £'000                                   |
| 210                               | 43                                      | Property, Plant and Equipment      | 223                               | 45                                      |
| 53                                | 10                                      | Intangible Assets                  | 29                                | 6                                       |
| 0                                 | 0                                       | Long Term Debtors                  | 18                                | 0                                       |
| <b>263</b>                        | <b>53</b>                               | <b>Total Long Term Assets</b>      | <b>270</b>                        | <b>51</b>                               |
| 85                                | 20                                      | Short Term Debtors                 | 295                               | 59                                      |
| 0                                 | 0                                       | Short Term Payment in Advance      | 18                                | 0                                       |
| 1,388                             | 281                                     | Cash Owed from Host Authority      | 645                               | 169                                     |
| <b>1,473</b>                      | <b>301</b>                              | <b>Current Assets</b>              | <b>958</b>                        | <b>228</b>                              |
| (538)                             | (76)                                    | Short Term Creditors               | (451)                             | (87)                                    |
| <b>(538)</b>                      | <b>(76)</b>                             | <b>Total Current Liabilities</b>   | <b>(451)</b>                      | <b>(87)</b>                             |
| (11,934)                          | (2,320)                                 | Long Term Pension Liability        | (13,180)                          | (2,617)                                 |
| (193)                             | (39)                                    | Revenue Grants Received in Advance | (203)                             | (41)                                    |
| <b>(12,127)</b>                   | <b>(2,359)</b>                          | <b>Total Long Term Liabilities</b> | <b>(13,383)</b>                   | <b>(2,658)</b>                          |
|                                   |   |                                    |                                   |   |
| <b>(10,929)</b>                   | <b>(2,081)</b>                          | <b>Net Assets</b>                  | <b>(12,606)</b>                   | <b>(2,466)</b>                          |
|                                   |   |                                    |                                   |   |
| 890                               | 215                                     | Usable Reserves                    | 492                               | 134                                     |
| (11,819)                          | (2,296)                                 | Unusable Reserves                  | (13,098)                          | (2,600)                                 |
|                                   |   |                                    |                                   |   |
| <b>(10,929)</b>                   | <b>(2,081)</b>                          | <b>Total Reserves</b>              | <b>(12,606)</b>                   | <b>(2,466)</b>                          |

## 2. Vale, Valleys & Cardiff (VVC) Adoption Collaborative Service

The VVC Adoption Services was created on 1<sup>st</sup> June 2015 to provide an adoption service across Cardiff, Rhondda Cynon Taf, Merthyr Tydfil and the Vale of Glamorgan. The Council is the host authority for the service.

| VVC Adoption Service 2018/19 | Vale of Glamorgan Council Share 2018/19 | Income and Expenditure Statement                    | VVC Service 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|------------------------------|---|---|---------------------|---|
| £'000                        | £'000                                   |   | £'000               | £'000                                   |
| 1,602                        | 263                                     | Operating Expenditure                               | 2,218               | 324                                     |
| (1,542)                      | (253)                                   | Operating Income                                    | (2,200)             | (327)                                   |
| <b>60</b>                    | <b>10</b>                               | <b>Net Cost of Services</b>                         | <b>18</b>           | <b>(3)</b>                              |
| 30                           | 5                                       | Finance and Investment Income and Expenditure       | 20                  | 3                                       |
| <b>90</b>                    | <b>15</b>                               | <b>(Surplus) / Deficit on Provision of Services</b> | <b>38</b>           | <b>0</b>                                |
| (70)                         | (12)                                    | Other Comprehensive Income and Expenditure          | 140                 | 21                                      |

|           |          |   |            |           |
|-----------|----------|---|------------|-----------|
| <b>20</b> | <b>3</b> | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>178</b> | <b>21</b> |
|-----------|----------|---|------------|-----------|

| VVC Adoption Service 2018/19 | Vale of Glamorgan Council Share 2018/19 | Balance Sheet                      | VVC Adoption Service 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|------------------------------|---|------------------------------------|------------------------------|---|
| £'000                        | £'000                                   |                                    | £'000                        | £'000                                   |
| 157                          | 26                                      | Short Term Debtors                 | 311                          | 23                                      |
| <b>157</b>                   | <b>26</b>                               | <b>Current Assets</b>              | <b>311</b>                   | <b>23</b>                               |
| (169)                        | (28)                                    | Short Term Creditors               | (241)                        | (12)                                    |
| <b>(169)</b>                 | <b>(28)</b>                             | <b>Total Current Liabilities</b>   | <b>(241)</b>                 | <b>(12)</b>                             |
| <b>(1,060)</b>               | <b>(174)</b>                            | <b>Long Term Pension Liability</b> | <b>(1,320)</b>               | <b>(198)</b>                            |
| <b>(1,072)</b>               | <b>(178)</b>                            | <b>Net Assets</b>                  | <b>(1,250)</b>               | <b>(187)</b>                            |
| 13                           | 2                                       | Usable Reserves                    | 98                           | 15                                      |
| (1,085)                      | (176)                                   | Unusable Reserves                  | (1,348)                      | (202)                                   |
| <b>(1,072)</b>               | <b>(178)</b>                            | <b>Total Reserves</b>              | <b>(1,250)</b>               | <b>(187)</b>                            |

### 3. Glamorgan Archives

The Glamorgan Archive Joint Committee provides a Joint Archive facility for Cardiff, Bridgend, Rhondda Cynon Taf, Merthyr Tydfil and the Vale of Glamorgan Councils.

| Glamorgan Archives 2018/19 | Vale of Glamorgan Council Share 2018/19 | Income and Expenditure Statement                    | Glamorgan Archives 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|----------------------------|---|---|----------------------------|---|
| £'000                      | £'000                                   |   | £'000                      | £'000                                   |
|                            | 12%                                     |   |                            | 12%                                     |
| 1,089                      | 131                                     | Operating Expenditure                               | 972                        | 117                                     |
| (928)                      | (112)                                   | Operating Income                                    | (904)                      | (109)                                   |
| <b>161</b>                 | <b>19</b>                               | <b>Net Cost of Services</b>                         | <b>68</b>                  | <b>8</b>                                |
| 0                          | 0                                       | Finance and Investment Income and Expenditure       | 0                          | 0                                       |
| <b>161</b>                 | <b>19</b>                               | <b>(Surplus) / Deficit on Provision of Services</b> | <b>68</b>                  | <b>8</b>                                |
| 0                          | 0                                       | Other Comprehensive Income and Expenditure          | 0                          | 0                                       |
| <b>161</b>                 | <b>19</b>                               | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>68</b>                  | <b>8</b>                                |

| Glamorgan Archives<br>2018/19 | Vale of Glamorgan<br>Council<br>Share<br>2018/19 | Balance Sheet                              | Glamorgan<br>Archives<br>2019/20 | Vale of Glamorgan<br>Council<br>Share<br>2019/20 |
|-------------------------------|--|--|----------------------------------|--|
|                               | 12%  |  |                                  | 12%  |
| £'000                         | £'000  |  | £'000                            | £'000  |
| 9,307                         | 1,117  | Land and Buildings                         | 6,187                            | 742  |
| 2                             | 0  | Vehicle, Plant, Furniture and<br>Equipment | 0                                | 0  |
| <b>9,309</b>                  | <b>1,117</b>                                     | <b>Long Term Assets</b>                    | <b>6,187</b>                     | <b>742</b>                                       |
| 17                            | 2  | Inventories                                | 17                               | 2  |
| 46                            | 6  | Short Term Debtors                         | 44                               | 5  |
| 132                           | 16   | Cash and Cash Equivalents                  | 130                              | 16   |
| <b>195</b>                    | <b>24</b>  | <b>Current Assets</b>                      | <b>191</b>                       | <b>23</b>  |
| (22)                          | (3)  | Short Term Creditors                       | (21)                             | (2)  |
| <b>(22)</b>                   | <b>(3)</b>                                       | <b>Total Current Liabilities</b>           | <b>(21)</b>                      | <b>(2)</b>                                       |
| 0                             | 0  | Long Term Borrowing                        | 0                                | 0  |
| <b>9,482</b>                  | <b>1,138</b>                                     | <b>Net Assets</b>                          | <b>6,357</b>                     | <b>763</b>                                       |
| 176                           | 21   | Usable Reserves                            | 174                              | 21   |
| 9,306                         | 1,117  | Unusable Reserves                          | 6,183                            | 742  |
| <b>9,482</b>                  | <b>1,138</b>                                     | <b>Total Reserves</b>                      | <b>6,357</b>                     | <b>763</b>                                       |

#### 4. Prosiect Gwyrdd

The Prosiect Gwyrdd is a Joint Working Arrangement between Cardiff, Caerphilly, Monmouthshire, Newport and the Vale of Glamorgan Councils to manage the contract with Viridor which provides a long term sustainable treatment solution to the residual waste that is remaining in each authority after recycling has been maximised.

| Prosiect<br>Gwyrdd<br>2018/19 | Vale of Glamorgan<br>Council<br>Share<br>2018/19 | Income and Expenditure Statement    | Prosiect<br>Gwyrdd<br>2019/20 | Vale of Glamorgan<br>Council<br>Share<br>2019/20 |
|-------------------------------|--|-------------------------------------|-------------------------------|--|
|                               | 20%  |                                     |                               | 20%  |
| £'000                         | £'000  |                                     | £'000                         | £'000  |
| 175                           | 35   | Operating Expenditure               | 174                           | 35   |
| (162)                         | (32)   | Operating Income                    | (167)                         | (33)   |
| <b>13</b>                     | <b>3</b>   | <b>Net Cost of Services</b>         | <b>7</b>                      | <b>2</b>   |
| 13                            | 3  | Transfer to Joint Committee Reserve | 7                             | 2  |
| <b>0</b>                      | <b>0</b>   | <b>Total</b>                        | <b>0</b>                      | <b>0</b>   |

| Prosiect Gwyrdd 2018/19 | Vale of Glamorgan Council Share 2018/19 | Balance Sheet                    | Prosiect Gwyrdd 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|-------------------------|---|----------------------------------|-------------------------|---|
|                         | 20%                                     |                                  |                         | 20%                                     |
| £'000                   | £'000                                   |                                  | £'000                   | £'000                                   |
| 108                     | 22                                      | Short Term Debtors               | 108                     | 21                                      |
| 227                     | 45                                      | Cash and Cash Equivalents        | 218                     | 44                                      |
| <b>335</b>              | <b>67</b>                               | <b>Current Assets</b>            | <b>326</b>              | <b>65</b>                               |
| (4)                     | (1)                                     | Short Term Creditors             | (4)                     | (1)                                     |
| <b>(4)</b>              | <b>(1)</b>                              | <b>Total Current Liabilities</b> | <b>(4)</b>              | <b>(1)</b>                              |
|                         |   |                                  |                         |   |
| <b>331</b>              | <b>66</b>                               | <b>Net Assets</b>                | <b>322</b>              | <b>64</b>                               |
|                         |   |                                  |                         |   |
| 331                     | 66                                      | Usable Reserves                  | 324                     | 64                                      |
| 0                       | 0                                       | Unusable Reserves                | (2)                     | 0                                       |
|                         |   |                                  |                         |   |
| <b>331</b>              | <b>66</b>                               | <b>Total Reserves</b>            | <b>322</b>              | <b>64</b>                               |

#### 5. Central South Consortium

The Central South Consortium was created on 1<sup>st</sup> September 2012 to provide a range of School Improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan. Rhondda Cynon Taf is the host authority for the service.

| Central South Consortium 2018/19 | Vale of Glamorgan Council Share 2018/19 | Income and Expenditure Statement                    | Central South Consortium 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|----------------------------------|---|---|----------------------------------|---|
|                                  | 15.53%                                  |   |                                  | 14.57%                                  |
| £'000                            | £'000                                   |   | £'000                            | £'000                                   |
| 83,309                           | 12,938                                  | Operating Expenditure                               | 78,456                           | 11,431                                  |
| (82,558)                         | (12,821)                                | Operating Income                                    | (78,018)                         | (11,367)                                |
| <b>751</b>                       | <b>117</b>                              | <b>Net Cost of Services</b>                         | <b>438</b>                       | <b>64</b>                               |
| (10)                             | (2)                                     | Finance and Investment Income and Expenditure       | (33)                             | (5)                                     |
| <b>741</b>                       | <b>115</b>                              | <b>(Surplus) / Deficit on Provision of Services</b> | <b>405</b>                       | <b>59</b>                               |
| (1,208)                          | (188)                                   | Other Comprehensive Income and Expenditure          | 985                              | 144                                     |
| <b>(467)</b>                     | <b>(73)</b>                             | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>1,390</b>                     | <b>203</b>                              |

| Central South Consortium 2018/19 | Vale of Glamorgan Council Share 2018/19 | Balance Sheet   | Central South Consortium 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|----------------------------------|---|---|----------------------------------|---|
|                                  | 15.53%                                  |   |                                  | 14.57%                                  |
| £'000                            | £'000                                   |   | £'000                            | £'000                                   |
| 129                              | 20                                      | Long Term Debtors                                       | 0                                | 0                                       |
| 301                              | 47                                      | Long Term Asset - Defined Benefit Pension Asset         | 0                                | 0                                       |
| <b>430</b>                       | <b>67</b>                               | <b>Long Term Assets</b>                                 | <b>0</b>                         | <b>0</b>                                |
| 0                                | 0                                       | Inventories   | 0                                | 0                                       |
| 21,389                           | 3,321                                   | Short Term Debtors                                      | 1,583                            | 231                                     |
| <b>21,389</b>                    | <b>3,321</b>                            | <b>Current Assets</b>                                   | <b>1,583</b>                     | <b>231</b>                              |
| (21,102)                         | (3,277)                                 | Short Term Creditors                                    | (739)                            | (108)                                   |
| <b>(21,102)</b>                  | <b>(3,277)</b>                          | <b>Total Current Liabilities</b>                        | <b>(739)</b>                     | <b>(108)</b>                            |
| <b>(287)</b>                     | <b>44</b>                               | <b>Net Current Assets</b>                               | <b>844</b>                       | <b>123</b>                              |
| 0                                | 0                                       | Long Term Liability - Defined Benefit Pension Liability | (1,518)                          | (221)                                   |
| <b>717</b>                       | <b>111</b>                              | <b>Net Assets/Liabilities</b>                           | <b>(674)</b>                     | <b>(98)</b>                             |
| 438                              | 68                                      | Usable Reserves   | 869                              | 127                                     |
| 279                              | 43                                      | Unusable Reserves                                       | (1,543)                          | (225)                                   |
| <b>717</b>                       | <b>111</b>                              | <b>Total Reserves</b>                                   | <b>(674)</b>                     | <b>(98)</b>                             |

## 6. City Deal.

The £1.2 billion Cardiff Capital Region City Deal has been established between the UK Government, the Welsh Government and 10 local authorities in South East Wales, including the Vale of Glamorgan Council. The Deal is expected to deliver up to 25,000 new jobs and bring in an additional £4 billion of private sector investment. The Deal will cover a 20 year period and work is currently ongoing to establish projects to be undertaken and cost implications for each authority. There was no capital contribution to the Joint Committee during 2019/20.

| City Deal 2018/19 | Vale of Glamorgan Council Share 2018/19 | Income and Expenditure Statement                    | City Deal 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|-------------------|---|---|-------------------|---|
|                   | 8.48%                                   |   |                   | 8.48%                                   |
| £'000             | £'000                                   |   | £'000             | £'000                                   |
| 1,340             | 114                                     | Operating Expenditure                               | 2,440             | 207                                     |
| (4,251)           | (360)                                   | Operating Income                                    | (5,017)           | (425)                                   |
| <b>(2,911)</b>    | <b>(246)</b>                            | <b>Net Cost of Services</b>                         | <b>(2,577)</b>    | <b>(218)</b>                            |
| (113)             | (10)                                    | Finance and Investment Income and Expenditure       | (283)             | (24)                                    |
| (11,757)          | (997)                                   | Taxation and Non Specific Grant Income              | 543               | 46                                      |
| <b>(14,781)</b>   | <b>(1,253)</b>                          | <b>(Surplus) / Deficit on Provision of Services</b> | <b>(2,317)</b>    | <b>(196)</b>                            |
| 0                 | 0                                       | Other Comprehensive Income and Expenditure          | 0                 | 0                                       |
| <b>(14,781)</b>   | <b>(1,253)</b>                          | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>(2,317)</b>    | <b>(196)</b>                            |

| City Deal<br>2018/19 | Vale of<br>Glamorgan<br>Council Share<br>2018/19 | Balance Sheet                 | City Deal<br>2019/20 | Vale of<br>Glamorgan<br>Council Share<br>2019/20 |
|----------------------|--|-------------------------------|----------------------|--|
|                      | 8.48%  |                               |                      | 8.48%  |
| £'000                | £'000  |                               | £'000                | £'000  |
| 0                    | 0  | Land and Buildings            | 35,309               | 2,993  |
| 35,224               | 2,986  | Assets Under Construction     | 0                    | 0  |
| 0                    | 0  | Long Term Debtors             | 1,134                | 96   |
| <b>35,224</b>        | <b>2,986</b>                                     | <b>Long Term Assets</b>       | <b>36,443</b>        | <b>3,089</b>                                     |
| 3,000                | 254  | Financial Assets              | 0                    | 0  |
| 5,393                | 457  | Short Term Debtors            | 7,406                | 628  |
| 30,350               | 2,572  | Cash and Cash Equivalents     | 47,600               | 4,034  |
| <b>38,743</b>        | <b>3,283</b>                                     | <b>Current Assets</b>         | <b>55,006</b>        | <b>4,662</b>                                     |
| (2,041)              | (173)  | Short Term Creditors          | (2,600)              | (220)  |
| <b>(2,041)</b>       | <b>(173)</b>                                     | <b>Current Liabilities</b>    | <b>(2,600)</b>       | <b>(220)</b>                                     |
| (30,044)             | (2,546)  | Long Term Creditors           | (44,504)             | (3,772)  |
| (966)                | (82)   | Provisions for Liabilities    | (1,447)              | (123)  |
| <b>(31,010)</b>      | <b>(2,628)</b>                                   | <b>Long Term Liabilities</b>  | <b>(45,951)</b>      | <b>(3,895)</b>                                   |
| <b>40,916</b>        | <b>3,468</b>                                     | <b>Net Assets/Liabilities</b> | <b>42,898</b>        | <b>3,636</b>                                     |
|                      |  |                               |                      |  |
| 4,066                | 345  | Usable Reserves               | 6,380                | 541  |
| 36,850               | 3,123  | Unusable Reserves             | 36,518               | 3,095  |
| <b>40,916</b>        | <b>3,468</b>                                     | <b>Total Reserves</b>         | <b>42,898</b>        | <b>3,636</b>                                     |

### 33. Pooled/Joint Budgets Arrangements

The Council has entered into a number of joint and pooled budget arrangements for the following :-

#### Older People Care Accommodation Pooled Budget

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018. Cardiff Council is currently acting as host authority. The processes for commissioning and payment for services has remained unchanged and is still undertaken by the individual partner's. Each partner continues to be responsible for their own budget and expenditure.

Costs incurred by each partner are charged to the pooled budget held by Cardiff Council and these costs are then offset by contributions made by each partner into the pool. The value of the Vale's transactions into and out of the pool for 2019/20 are £10.6M.

### Joint Equipment Store (JES)

The contributors to the pool are the Vale of Glamorgan Council, Cardiff County Council and the Cardiff and Vale University Health Board. The JES is run by Cardiff County Council and provides community equipment and minor adaptations to residents of Cardiff and the Vale of Glamorgan. £187k was paid into the pool in respect of 2019/20.

### Intermediate Care Fund (ICF)

ICF grant is provided to the Cardiff and Vale University Health Board by Welsh Government. The funding allows various initiatives to be undertaken by the Cardiff and Vale University Health Board, Cardiff County Council and the Vale of Glamorgan Council. This fund is being used to build effective working practices across health, social services and housing, to take forward schemes which demonstrate an effectiveness across community and acute environments and linking out-of-hospital care and social care to strengthen the resilience of the unscheduled care system. The Vale of Glamorgan Council undertook revenue schemes to the value of £2.7M and capital schemes to the value of £368k during 2019/20 from this fund.

### Integrated Family Support Service (IFSS)

The service covers the Vale of Glamorgan Council and Cardiff County Council geographical area. The service is run by Cardiff County Council and provides targeted intervention to support children and families affected by parental substance misuse. The Vale of Glamorgan Council contributed £284k to the service in 2019/20.

### Coroner

There is a joint Coroner Service for Rhondda Cynon Taf, Cardiff and the Vale of Glamorgan Councils. The service is hosted by Rhondda Cynon Taf. During 2019/20 the Council made contributions of £246k to the service.

### Shared Internal Audit Service

The Council is the lead authority for a Shared Internal Audit Service covering the Vale of Glamorgan, Rhondda Cynon Taf, Merthyr Tydfil and Bridgend Councils. The total cost of the service for 2019/20 was £819k with a contribution of £248k from the Vale of Glamorgan, £211k from Rhondda Cynon Taf and £166k Merthyr Tydfil and £194k from Bridgend. As at 31<sup>st</sup> March 2020 a reserve to the value of £318k was held by the Vale of Glamorgan Council on behalf of the service.

### Local Resilience Forum

The Authority is the lead for the Local Resilience Forum, the members of the forum are; the Local Health Board, Natural Resources Wales, Fire Service, South Wales

Police and Local Authorities - Cardiff, Newport, Swansea, Bridgend, Rhondda Cynon Taf and The Vale of Glamorgan.

The appropriate share of the forum's assets and liabilities have been included within these accounts. The Accounts for the Local Resilience Forum are outlined below;

| Local Resilience Forum 2018/19 | Vale of Glamorgan Council Share 2018/19 | Income and Expenditure Statement                    | Local Resilience Forum 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|--------------------------------|---|---|--------------------------------|---|
|                                | 8%                                      |   |                                | 8%                                      |
| £'000                          | £'000                                   |   | £'000                          | £'000                                   |
| 29                             | 2                                       | Operating Expenditure                               | 69                             | 5                                       |
| (61)                           | (5)                                     | Operating Income                                    | (82)                           | (6)                                     |
| <b>(32)</b>                    | <b>(3)</b>                              | <b>Net Cost of Services</b>                         | <b>(13)</b>                    | <b>(1)</b>                              |
| 0                              | 0                                       | Finance and Investment Income & Expenditure         | 0                              | 0                                       |
| <b>(32)</b>                    | <b>(3)</b>                              | <b>(Surplus) / Deficit on Provision of Services</b> | <b>(13)</b>                    | <b>(1)</b>                              |
| 0                              | 0                                       | Other Comprehensive Income and Expenditure          | 0                              | 0                                       |
| <b>(32)</b>                    | <b>(3)</b>                              | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>(13)</b>                    | <b>(1)</b>                              |

| Local Resilience Forum 2018/19 | Vale of Glamorgan Council Share 2018/19 | Balance Sheet              | Local Resilience Forum 2019/20 | Vale of Glamorgan Council Share 2019/20 |
|--------------------------------|---|----------------------------|--------------------------------|---|
| £'000                          | £'000                                   |                            | £'000                          | £'000                                   |
|                                | 8.11%                                   |                            |                                | 8.11%                                   |
| <b>192</b>                     | <b>15</b>                               | <b>Current Assets</b>      | <b>314</b>                     | <b>25</b>                               |
| <b>(23)</b>                    | <b>(2)</b>                              | <b>Current Liabilities</b> | <b>(132)</b>                   | <b>(10)</b>                             |
| <b>169</b>                     | <b>13</b>                               | <b>Net Assets</b>          | <b>182</b>                     | <b>15</b>                               |
| 169                            | 13                                      | Usable Reserves            | 182                            | 15                                      |
| <b>169</b>                     | <b>13</b>                               | <b>Total Reserves</b>      | <b>182</b>                     | <b>15</b>                               |

#### 34. Other Related Parties

Other than that shown below there are no matters that the Council is required to disclose separately as 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 other than those shown elsewhere in the notes to the accounts.

Welsh Government effect influence on the Authority via legislation and grant funding. As at 31<sup>st</sup> March 2020 there was a debtor balance of £6.7M.

The Authority has material transactions with the Cardiff and Vale University Health Board in respect of Social Service matters whereby the Health Board reimburses the Authority for Continuing Health Care costs. The Council also receives Intermediate Care Fund and other grant income for capital and revenue expenditure from the Health Board. During 2019/20 there were transactions with the Health Board totalling £6.1M and as at 31<sup>st</sup> March 2020 there was a debtor balance of £2.5M.

In 2019/20 a loan of £600k was made to Newydd Housing Association as part of the Town Centre Loan Scheme, there was also an additional £23k of other expenditure with Newydd during the year. Councillor Griffiths is a board member of Newydd Housing Association.

At the 31 March 2020 there were 30 Vale of Glamorgan Councillors who also were members of Town and Community Councils.

### 35. Operating Leases (Lessor)

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

|                       | 2018/19 Land and Buildings | 2018/19 Other Leases | 2019/20 Land and Buildings | 2019/20 Other Leases |
|-----------------------|----------------------------|----------------------|----------------------------|----------------------|
|                       | £'000                      | £'000                | £'000                      | £'000                |
| Within 1 year         | 403                        | 0                    | 408                        | 0                    |
| Between 1 and 5 years | 1,085                      | 0                    | 1,033                      | 0                    |
| After 5 years         | 7,845                      | 0                    | 7,923                      | 0                    |
| <b>Total</b>          | <b>9,333</b>               | <b>0</b>             | <b>9,364</b>               | <b>0</b>             |

### 36. Operating Leases (Lessee)

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

|                       | 2018/19 Land and Buildings Restated | 2018/19 Other Leases | 2019/20 Land and Buildings | 2019/20 Other Leases |
|-----------------------|-------------------------------------|----------------------|----------------------------|----------------------|
|                       | £,000                               | £,000                | £'000                      | £'000                |
| Within 1 year         | 204                                 | 15                   | 129                        | 0                    |
| Between 1 and 5 years | 440                                 | 0                    | 402                        | 0                    |
| After 5 years         | 999                                 | 0                    | 1,076                      | 0                    |
| <b>Total</b>          | <b>1,643</b>                        | <b>15</b>            | <b>1,607</b>               | <b>0</b>             |

### 37. Pension Assets and Liabilities

#### Local Government Pension Scheme Funded Benefits

The disclosures below relate to the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the Local Government Pension

Scheme (the LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the 'Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2023 resulting from that valuation are set out in the Fund's rates and adjustment certificate.

The Fund Administering Authority, City and County of Cardiff, is responsible for the governance of the Fund.

The accounts have been adjusted to include the Joint Committee and the Foundation School's Pension Liabilities. The Council's share of the Joint Committee and Foundation School's pension liabilities are not reflected in the disclosure notes below. The table below sets out the reconciliation of the pension liability figure included on the Council's balance sheet.

| Pension Liability  | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
|  | £'000            | £'000            |
| Vale of Glamorgan Council Pension (Liability)  | (212,860)        | (262,339)        |
| Vale of Glamorgan Council Pension (Liability)<br>McCloud Adjustment                        | (5,165)          | 0                |
| Vale, Valleys and Cardiff Regional Adoption<br>Service Joint Committee Pension (Liability) | (174)            | (198)            |
| Shared Regulatory Service Joint Committee<br>Pension (Liability) McCloud Adjustment        | (126)            | 0                |
| Shared Regulatory Service Joint Committee<br>Pension (Liability)                           | (2,194)          | (2,617)          |
| Central South Consortium Joint Committee<br>Pension Asset/(Liability)*                     | 47               | (221)            |
| Foundation School Pension (Liability)  | 0                | (2,870)          |
| <b>Total Pension Liability</b>   | <b>(220,472)</b> | <b>(268,245)</b> |

\*The administering body for the Central South Consortium Joint Committee Pension Fund is Rhondda Cynon Taff County Council.

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2021 are estimated to be £12.9M. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

#### Key issues impacting the actuarial calculation

##### Transfer to Big Fresh Catering Company (BFCC)

The actuarial calculation reflects a transfer as at 1<sup>st</sup> January 2020 for the future liabilities of the staff within the BFCC. The IAS 19 report shows a net gain on this settlement of £2.07M, as part of this adjustment but the £5.88M was removed from the defined benefit obligation and £3.81M removed from assets.

##### McCloud Judgement

The McCloud/Sargaent judgements relate to court cases in respect of Firefighters and Judges pension schemes, which found that transitional arrangements that applied to members within 10 years of pension age amounted to illegal age discrimination. The Government has been denied leave to appeal against these judgements. The 2018/19 pension liability was amended to reflect an estimated liability associated with the McCloud judgement. The liability calculated for 2019/20 incorporates McCloud and assumes any underpin (additional protection to ensure the pension recipient gets at least equal to that which they would have received under the previous scheme) associated with the remedy would apply from April 2012. This underpin is assumed to apply upon withdrawal and to apply to spouse's pensions. Legislation requires periodic valuations to ensure the cost of the LGPS remains affordable and sustainable however no allowance has been made for the cost of improving members benefits as a result until such time as the cost management processes have recommenced.

##### Guaranteed Minimum Pension (GMP) and Indexation

This relates to the Guaranteed Minimum Pension that accrued to members between 1978 and 1997. Allowance has been made in the calculation for 2019/20 for the full indexation of member's benefits for any members who were State Pension age on or after 6 April 2016.

##### Triennial Valuation and Covid-19

The actuarial results are based on a roll forward of the triennial valuation carried out as at 31<sup>st</sup> March 2019. The valuation observes that the outbreak of the novel coronavirus Covid-19 may impact adversely on the ability of the Fund to realise future investment returns and on the Fund employer's covenant.

The actuarial valuation acknowledges that the Fund's assets were likely to have fallen in value in March and a corresponding reduction in liability via a reduced discount rate is not known. However the actuary in consultation with the Cardiff and Vale Pension Fund concluded that because of the long term nature of the Fund and the level of prudence adopted that certifying the valuation based on market conditions at the valuation date remained appropriate. The majority of negative market movement took place prior to 31<sup>st</sup> March 2020 and these movements are

reflected in the actuarial report. The crisis has also caused a reduction in corporate bond yields since the year-end, which will have led to an increase in the value of the defined benefit obligation (liabilities) on an accounting basis. The impact on the net pensions asset since the accounting date will depend on the Fund's asset performance.

It is too early to say what impact the higher rates of mortality will have on the funding position of the Fund. ONS data is showing that the cumulative deaths in 2020 to date are well outside the range of the outcomes seen in recent years. The impact on longevity for the Fund's members will additionally be affected by the indirect impact of Covid-19, including the health of the surviving population, and the economic, social and political consequences of tackling Covid-19. In both of the above cases, the impact on longevity could be positive or negative.

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, the year-end valuation reports provided to Cardiff and Vale of Glamorgan Pension Fund include a statement that there is a material valuation uncertainty in respect of pooled property investments managed on behalf of the pension fund as at 31 March 2020.

The total value of these affected investments as at 31st March 2020 is £106.746m of which, £20.922m (19.6%) is attributable to the Vale of Glamorgan County Borough Council and £235k (0.2%) is attributable to Stanwell Comprehensive.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

#### Principal Financial Assumptions (% per annum)

|  | <b>31 March<br/>2018</b> | <b>31 March<br/>2019</b> | <b>31 March<br/>2020</b> |
|--|--------------------------|--------------------------|--------------------------|
|  | %                        | %                        | %                        |
| Discount Rate                            | 2.6                      | 2.4                      | 2.3                      |
| CPI Rate                                 | 2.1                      | 2.2                      | 2.0                      |
| Rate of increase to pensions (1)         | 2.1                      | 2.2                      | 2.0                      |
| Pension accounts revaluation rate (2)    | 2.1                      | 2.2                      | 2.0                      |
| Rate of general increase in salaries (3) | 3.1                      | 3.2                      | 3.0                      |

- (1) Pension increases on pension in excess of Guaranteed Minimum Pension in payment where appropriate.
- (2) The actuary recommends that the assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases.
- (3) The assumed rate of general salary increases has been set at 1.00% per annum above the CPI inflation assumption which is consistent with the assumption used at the 2019 Valuation.

The discount rate is set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The fund holds a significant proportion of growth assets which whilst expected to outperform corporate bonds in the long term create volatility and risk in the short term in relation to the accounting figures. A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

The majority of the pension liabilities are linked to either price or pay inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

#### Post retirement mortality (retirement in normal health)

| <b>Post Retirement Mortality</b>                         | <b>31 March 2019</b> | <b>31 March 2020</b> |
|--|----------------------|----------------------|
| <b>Males</b>   |                      |                      |
| Future lifetime from age 65 (aged 65 at accounting date) | 22.4                 | 22.2                 |
| Future lifetime from age 65 (aged 45 at accounting date) | 23.0                 | 23.2                 |
| <b>Females</b>   |                      |                      |
| Future lifetime from age 65 (aged 65 at accounting date) | 24.8                 | 24.6                 |
| Future lifetime from age 65 (aged 45 at accounting date) | 25.9                 | 26.0                 |

The majority of the Fund's obligations are to provide benefits for the life of a member following retirement, so increases in life expectancy will result in an increase in liabilities.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises. The assets are invested in a diversified spread of investments and the approximate split for the Fund as a whole is included in the disclosures.

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

|  | Asset split at | Asset split at |
|--|----------------|----------------|
|--|----------------|----------------|

|                  | 31 March 2019 (%) | 31 March 2020 (%) |
|------------------|-------------------|-------------------|
| Equities         | 63.7              | 66.3              |
| Property         | 7.7               | 6.9               |
| Government Bonds | 10.7              | 9.5               |
| Corporate Bonds  | 11.0              | 15.8              |
| Cash             | 1.5               | 1.4               |
| Other            | 5.4               | 0.1               |
| <b>Total</b>     | <b>100.0</b>      | <b>100.0</b>      |

Of the assets shown above 3.6% (£15.6M) are classified as unquoted equities at 31<sup>st</sup> March 2020.

#### Reconciliation of Funded Status to Balance Sheet

|  | 31 March 2019   | 31 March 2020   |
|--|-----------------|-----------------|
|  | £M's            | £M's            |
| Fair Value of Assets                                       | 433.41          | 394.88          |
| Present Value of Funded Defined Benefit Obligation         | 630.64          | 642.85          |
| <b>Funded status</b>                                       | <b>(197.23)</b> | <b>(247.97)</b> |
| Impact of minimum funding requirement / asset ceiling      | 0.00            | 0.00            |
| <b>Asset / (Liability) recognised on the Balance Sheet</b> | <b>(197.23)</b> | <b>(247.97)</b> |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

|                     |     |
|---------------------|-----|
| Active Members      | 41% |
| Deferred Pensioners | 19% |
| Pensioners          | 40% |

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'Orphan Liabilities' may in retrospect not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan Liabilities' are currently a small proportion of the overall liabilities in the Fund.

#### Maturity Profile of the Defined Benefit Obligation

The duration of liabilities for the scheme members is 20.7 years (17.7 years in the previous actuarial valuation).

Breakdown of Amounts recognised in Surplus or Deficit on the Provision of Services and Other Comprehensive Income.

|  | For Year<br>Ending 31<br>March 2019 | For Year<br>Ending 31<br>March 2020 |
|--|-------------------------------------|-------------------------------------|
|  | £M's                                | £M's                                |
| <b>Comprehensive Income and Expenditure</b>  |                                     |                                     |
| <i>Cost of Services</i>  |                                     |                                     |
| <i>Service Cost Comprising</i>   |                                     |                                     |
| Current Service Cost*  | 17.09                               | 22.12                               |
| Past Service Cost (including curtailments)   | 0.07                                | 2.55                                |
| (Gain)/Loss on Settlements   | 0.00                                | (2.07)                              |
| <i>Financing and Investment Income and Expenditure</i>   |                                     |                                     |
| Net Interest Expense   | 4.92                                | 4.54                                |
| <b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>   | <b>22.08</b>                        | <b>27.14</b>                        |
| <b>Remeasurements in Other Comprehensive Income</b>  |                                     |                                     |
| Return on plan assets (in excess of) / below that recognised in net interest   | (17.32)                             | 46.45                               |
| Actuarial (gains)/ losses due to change in financial assumptions   | 33.05                               | (12.25)                             |
| Actuarial (gains)/ losses due to changes in demographic assumptions  | (24.29)                             | (10.02)                             |
| Actuarial (gains) / losses due to liability experience   | 0.92                                | 13.29                               |
| <b>Total post-employment benefits charged to the comprehensive income and expenditure statement</b>  | <b>(7.64)</b>                       | <b>37.47</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 | <b>(9.585)</b>                      | <b>(20.295)</b>                     |
| <b>Actual amount charged against General Fund and HRA balances for Pensions in year</b>  | <b>4.855</b>                        | <b>44.315</b>                       |

\*The current service cost included an allowance for the administration expenses £0.30M at 31<sup>st</sup> March 2020 (£0.22M at 31<sup>st</sup> March 2019).

Changes to the Present Value of Defined Benefit Obligation during the Period

|  | Year Ending<br>31 March<br>2019 | Year Ending<br>31 March<br>2020 |
|--|---------------------------------|---------------------------------|
|  | £M's                            | £M's                            |
| <b>Opening Defined Benefit Obligation</b>      | <b>597.08</b>                   | <b>630.64</b>                   |
| Current Service Cost                           | 17.09                           | 22.12                           |
| Interest Expense on defined benefit obligation | 15.41                           | 14.92                           |

|  |               |               |
|--|---------------|---------------|
| Contributions by Participants                                    | 3.44          | 3.74          |
| Actuarial (gains)/ losses on liabilities financial assumptions   | 33.05         | (12.25)       |
| Actuarial (gains)/ losses on liabilities demographic assumptions | (24.29)       | (10.02)       |
| Actuarial (gains)/ losses on liabilities experience              | 0.92          | 13.29         |
| Net Benefits Paid Out  | (12.13)       | (16.26)       |
| Past Service Cost (including curtailments)                       | 0.07          | 2.55          |
| Net increase in liabilities from disposals/ acquisitions         | 0.00          | 0.00          |
| Settlements  | 0.00          | (5.88)        |
| <b>Closing Defined Benefit Obligation</b>                        | <b>630.64</b> | <b>642.85</b> |

#### Changes to the Fair Value of Assets during the Accounting Period

|   | 31 March<br>2019 | 31 March<br>2020 |
|---|------------------|------------------|
|   | £M's             | £M's             |
| <b>Opening Fair Value of Assets</b>                 | <b>401.29</b>    | <b>433.41</b>    |
| Interest Income on Assets                           | 10.49            | 10.38            |
| Remeasurement gains/ (losses) on Assets             | 17.32            | (46.45)          |
| Contributions by the Employer                       | 13.00            | 13.87            |
| Contributions by Participants                       | 3.44             | 3.74             |
| Net Benefits Paid Out                               | (12.13)          | (16.26)          |
| Net increase in assets from disposals/ acquisitions | 0.00             | 0.00             |
| Settlements   | 0.00             | (3.81)           |
| <b>Closing Fair Value of Assets</b>                 | <b>433.41</b>    | <b>394.88</b>    |

#### Actual Return on Assets

|   | 31 March 2019 | 31 March 2020  |
|---|---------------|----------------|
|   | £M's          | £M's           |
| Interest Income on Assets               | 10.49         | 10.38          |
| Remeasurement gains/ (losses) on Assets | 17.32         | (46.45)        |
| <b>Actual Return on Assets</b>          | <b>27.81</b>  | <b>(36.07)</b> |

#### Sensitivity Analysis of Projected Service Costs 2020/21

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions. 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.

Projected service cost in the sensitivity analysis below is the projected service cost for the period ending 31st March 2021.

#### Discount rate assumption

| Adjustment to discount rate                   | +0.1% p.a. | Base figure | -0.1% p.a. |
|---|------------|-------------|------------|
| Present value of total obligation (£M)        | 629.99     | 642.85      | 656.35     |
| % change in present value of total obligation | -2.0%      |             | 2.1%       |
| Projected service cost (£M)                   | 20.99      | 21.73       | 22.49      |
| Approx. % change in projected service cost    | -3.4%      |             | 3.5%       |

#### Rate of general increase in salaries

| Adjustment to salary increase rate            | +0.1% p.a. | Base figure | -0.1% p.a. |
|---|------------|-------------|------------|
| Present value of total obligation (£M)        | 644.14     | 642.85      | 641.56     |
| % change in present value of total obligation | 0.2%       |             | -0.2%      |
| Projected service cost (£M)                   | 21.73      | 21.73       | 21.73      |
| Approx. % change in projected service cost    | 0.0%       |             | 0.0%       |

#### Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

| Adjustment to pension increase rate           | +0.1% p.a. | Base figure | -0.1% p.a. |
|---|------------|-------------|------------|
| Present value of total obligation (£M)        | 655.06     | 642.85      | 631.28     |
| % change in present value of total obligation | 1.9%       |             | -1.8%      |
| Projected service cost (£M)                   | 22.49      | 21.73       | 20.99      |
| Approx. % change in projected service cost    | 3.5%       |             | -3.4%      |

#### Post retirement mortality assumption\*

| Adjustment to mortality age rating assumption | -1 year | Base figure | +1 year |
|---|---------|-------------|---------|
| Present value of total obligation (£M)        | 663.42  | 642.85      | 622.28  |
| % change in present value of total obligation | 3.2%    |             | -3.2%   |
| Projected service cost (£M)                   | 22.56   | 21.73       | 20.90   |
| Approx. % change in projected service cost    | 3.8%    |             | -3.8%   |

\*A rating of +1 year means that members are assumed to follow the mortality pattern for the base table for an individual that is 1 year older than them.

#### Local Government Pension Scheme Unfunded Benefits

The disclosures below relate to the unfunded pension arrangements established by The Vale of Glamorgan Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme (LGPS) under the Local Government (Early

Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations and members of the Teachers' Pension Scheme.

The latest actuarial valuation of unfunded benefits took place as at 31 March 2019. Liabilities have been estimated by the independent qualified actuary basis on an actuarial basis using the projected unit credit method.

The estimated Employer payments directly to beneficiaries for the year ended 31<sup>st</sup> March 2021 are estimated to be £1.26M. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

#### Principal Financial Assumptions (% per annum)

|   | 31 March 2018 | 31 March 2019 | 31 March 2020 |
|---|---------------|---------------|---------------|
|   | %             | %             | %             |
| Discount rate                           | 2.6           | 2.4           | 2.3           |
| CPI inflation rate                      | 2.1           | 2.2           | 2.0           |
| Rate of increase to pensions in payment | 2.1           | 2.2           | 2.0           |

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

#### Post retirement mortality (retirement in normal health)

| Post Retirement Mortality (retirement in normal health)          | 31 March 2019 | 31 March 2020 |
|--|---------------|---------------|
| Males Future lifetime from age 65 (aged 65 at accounting date)   | 22.4          | 22.2          |
| Females Future lifetime from age 65 (aged 65 at accounting date) | 24.8          | 24.6          |

#### Reconciliation of Unfunded Defined Benefit Obligation to Balance Sheet

|  | 31 March 2019  | 31 March 2020  |
|--|----------------|----------------|
|  | £M's           | £M's           |
| Present Value of Unfunded Defined Benefit Obligation       | 15.63          | 14.37          |
| <b>Pension (Liability) recognised on the Balance Sheet</b> | <b>(15.63)</b> | <b>(14.37)</b> |

Breakdown of Amounts recognised in Surplus or Deficit on the Provision of Services and Other Comprehensive Income.

|   | Year Ending 31 March 2019 | Year Ending 31 March 2020 |
|---|---------------------------|---------------------------|
|   | £M's                      | £M's                      |
| Operating Cost  |                           |                           |
| Current Service Cost                                    | 0.00                      | 0.00                      |
| Past Service Cost (including curtailments)              | 0.02                      | 0.00                      |
| Settlement Cost   | 0.00                      | 0.00                      |
| Financing Cost  |                           |                           |
| Interest on net defined benefit liability/ (asset)      | 0.44                      | 0.36                      |
| <b>Pension expense recognised in Surplus or Deficit</b> | <b>0.46</b>               | <b>0.36</b>               |

|   |               |               |
|---|---------------|---------------|
| Remeasurements in Other Comprehensive Income                | 0.00          | 0.00          |
| Actuarial losses due to change in financial assumptions     | 0.41          | (0.11)        |
| Actuarial (gains) due to changes in demographic assumptions | (0.76)        | (0.20)        |
| Actuarial (gains)/ losses due to liability experience       | (0.63)        | (0.07)        |
| <b>Total Amount recognised in Other Comp Income</b>         | <b>(0.98)</b> | <b>(0.38)</b> |
| <b>Total Amount Recognised</b>                              | <b>(0.52)</b> | <b>(0.02)</b> |

Changes to the Present Value of Defined Benefit Obligation during the Accounting Period

|  | For Year<br>Ending 31<br>March 2019 | For Year<br>Ending 31<br>March 2020 |
|--|-------------------------------------|-------------------------------------|
|  | £M's                                | £M's                                |
| <b>Opening Defined Benefit Obligation</b>                        | <b>17.38</b>                        | <b>15.63</b>                        |
| Current Service Cost   | 0.00                                | 0.00                                |
| Interest Expense on defined benefit obligation                   | 0.44                                | 0.36                                |
| Contributions by Participants                                    | 0.00                                | 0.00                                |
| Actuarial (gains)/ losses on liabilities financial assumptions   | 0.41                                | (0.11)                              |
| Actuarial (gains)/ losses on liabilities demographic assumptions | (0.76)                              | (0.20)                              |
| Actuarial (gains)/ losses on liabilities experience              | (0.63)                              | (0.07)                              |
| Net Benefits Paid Out  | (1.23)                              | (1.24)                              |
| Past Service Cost (including curtailments)                       | 0.02                                | 0.00                                |
| Net increase in liabilities from disposals/ acquisitions         | 0.00                                | 0.00                                |
| Settlements  | 0.00                                | 0.00                                |
| <b>Closing Defined Benefit Obligation</b>                        | <b>15.63</b>                        | <b>14.37</b>                        |

Changes to the Fair Value of Assets during the Accounting Period

|   | For Year<br>Ending 31<br>March 2019 | For Year<br>Ending 31<br>March 2020 |
|---|-------------------------------------|-------------------------------------|
|   | £M's                                | £M's                                |
| Opening Fair Value of Assets                        | 0.00                                | 0.00                                |
| Interest Income on Assets                           | 0.00                                | 0.00                                |
| Remeasurement gains/ (losses) on Assets             | 0.00                                | 0.00                                |
| Contributions by the Employer                       | 1.23                                | 1.24                                |
| Contributions by Participants                       | 0.00                                | 0.00                                |
| Net Benefits Paid Out                               | (1.23)                              | (1.24)                              |
| Net increase in assets from disposals/ acquisitions | 0.00                                | 0.00                                |
| Settlements   | 0.00                                | 0.00                                |
| <b>Closing Fair Value of Assets</b>                 | <b>0.00</b>                         | <b>0.00</b>                         |

### Teacher's Pension Scheme

The total employer contributions to the Teacher's Pension Scheme in 2019/20 made by the Council were £10.602M. This includes contributions for Teachers appointed by the Governing body. The total employer contributions to the Teacher's Pension Scheme in 2018/19 made by the Council were £8.184M (£7.442M excluding Stanwell).

From 1st September 2019 there was an increase in the employers contribution into the Teacher's Pension scheme which increased from 16.48% to 23.6% following the actuarial valuation of the scheme by Government Actuarial Department (GAD). It was projected that this would cost an additional £3.1m with part of the additional costs falling in 2019/20 and the full year affect being included in 2020/21.

The Council has received a number of grant awards in 2019/20 that mitigated the impact of the teachers pay awards and increased in employer's contribution into the Teachers Pension scheme.

The latest pay award proposals are currently out to consultation and include the removal of M1 on the mainscale teachers payscale and increase of 3.75% on M2-M6. An increase of 2.75% on the upper pay range and an increase of 2.5% on all other pay including that of school leaders.

It is projected that the total employer contributions to the Teacher's Pension Scheme in 2020/21 will be approximately £10.894M.

### 38. Contingent Liabilities

#### Municipal Mutual Insurance Ltd. (MMI)

Municipal Mutual Insurance (MMI) was the main insurer of the public sector prior to it closing its insurance business in 1992. A scheme is in place for any liabilities still outstanding from historic insurance with MMI and therefore a provision has been included in the accounts. Any increase in claims could lead to a further levy being imposed on the Authority by the administrator of MMI in the future; provision for any sum due will be made once such an event becomes likely and can be reasonably assessed. The scheme administrator regularly reviews the scheme and any significant changes in the financial position may lead to a further clawback.

### 39. Nature and Extent of Risks Arising From Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;

- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The Council has approved the Annual Treasury Management Strategy which includes policies on risk management.

Since the Treasury Management Strategy has been approved the position in respect of novel coronavirus Covid-19 has developed in the United Kingdom which impacts all aspects of risk set out above.

There has been significant market uncertainty since the end of March 2020 but the Bank of England (MPC) and UK Government have introduced unprecedented measures to protect the UK economy and financial markets. This includes a cut in UK Bank Rate to 0.10% and the approval of additional £200bn Quantitative Easing. The Chancellor has also implemented financial support packages for businesses and employees to mitigate some of the initial risks arising from the enforced Covid-19 lockdown during April and May 2020.

In the lead up to the end of the 2019/20 financial year, large parts of the UK economy were placed in enforced lockdown to deal with a global Covid-19 pandemic. These restrictions continued in April and May 2020 and the Government and Bank of England implemented financial packages to support the UK economy. Even with these measures, UK GDP is expected to fall by circa 14% in this calendar year and whilst there is expected to be a bounce back of circa 15% in GDP in 2021, the level of uncertainty in the future path of economic growth, unemployment, fiscal and monetary policy makes it very difficult to accurately assess the impact on the investments held by the Authority. The Council's investments continue to be placed primarily with Other UK Local Authorities and the UK Government with minimal risk. We will continue to monitor the situation and where required any expected credit loss provision and/or movement in fair value will be reported and recognised during 2020/21 financial year.

Link and PWLB have provided fair values calculations for the loans the Vale of Glamorgan Council held as at 31<sup>st</sup> March 2020 the majority of the Council's borrowing is fixed rate and held with PWLB. PWLB borrowing rates have not moved significantly since March 2020 and therefore the fair values for the Council's are unlikely to have significantly changed over the period of the preparation of the accounts.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently and comply with the credit

rating as set out in the Treasury Management and Investment Strategy Statement. The Authority's internally managed investments complied with this strategy statement in 2019/20 and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority has a cautious approach to risk, with its priority to safeguard capital. The majority of the new investments were made with the Debt Management Account Deposit Facility which is guaranteed by the UK Government and UK Local Authorities. The maximum investment sum per Local Authority in 2018/19 and 2019/20 was £5M and the maximum investment period in 2018/19 was 6 months and in 2019/20 was 12 months. The investment position at 31<sup>st</sup> March 2020 is set out below;

|  | 31 March 2019 | 31 March 2020 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| UK Debt Management Account Deposit Facility              | 8,100         | 11,000        |
| UK Local Authorities                                     | 81,000        | 87,000        |
| <b>Total</b>   | <b>89,100</b> | <b>98,000</b> |
| Reconciliation of Investment Balances                    |               |               |
| Short Term Investment                                    | 81,000        | 87,000        |
| Overnight Investments shown as Cash and Cash Equivalents | 8,100         | 11,000        |
| <b>Total</b>   | <b>89,100</b> | <b>98,000</b> |
| Short Term Investment Accrued Interest                   | 67            | 105           |
| Short Term Investment Joint Committees                   | 254           | 0             |
|  | <b>89,421</b> | <b>98,105</b> |

### Liquidity Risk

As the Authority has ready access to borrowings from the money markets and 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. When the Authority borrows money the maturity date determined for the loan is considered on each occasion.

The Authority has two loans totalling £6 million in respect of LOBOs (Lenders Option Borrowers Option). The Lender can increase the interest rate by giving a set period of notice before the interest payment dates in each year, it would then be for the Authority to decide whether to accept the increase or repay the loan. The £4M loan has a full term maturity date of 24<sup>th</sup> February 2054 and the £2M loan has a full term maturity date 21<sup>st</sup> November 2021. The maturity analysis of financial liabilities is as follows:

|                            | 31 March 2019  | 31 March 2020  |
|----------------------------|----------------|----------------|
|                            | £'000          | £'000          |
| Less than one year         | 2,569          | 2,579          |
| Between one and two years  | 793            | 7,915          |
| Between two and five years | 25,841         | 24,550         |
| More than five years       | 126,872        | 119,810        |
| <b>Total</b>               | <b>156,075</b> | <b>154,854</b> |

## Market Risk

### Interest Rate Risk

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

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

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

The total Government Grant Support receivable by the Authority for future years is indicative only and therefore no amount has been included for this in the table.

The Treasury Management Strategy Statement includes a section on borrowings and the Head of Finance (Section 151 Officer) will monitor the interest rate market and adopt a pragmatic approach to changing circumstances.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|  | £'000        |
|--|--------------|
| Increase in interest payable on variable rate borrowings           | 61           |
| Increase in interest receivable on variable rate investments       | (413)        |
| Increase in government grant receivable for financing costs        | 0            |
| <b>Impact on (Surplus) or Deficit on the Provision of Services</b> | <b>(352)</b> |

|  |          |
|--|----------|
| Share of overall impact credited to the HRA  | (138)    |
| Decrease in fair value of fixed rate investment assets   | 0        |
| Impact on Other Comprehensive Income and Expenditure   | 0        |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | (17,236) |

To compile the above analysis the Council reviews the following;

- The interest chargeable on LOBO's and other variable rate loans.
- The interest received on investment income in 2019/20.
- Information provided by the Treasury Management Advisor on the projected decrease in fair value of fixed rate borrowings liabilities

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

**The Housing Revenue Account****Housing Revenue Account Income and Expenditure Account**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| 2018/19         |  | 2019/20  | 2019/20         |
|-----------------|--|----------|-----------------|
| £'000           |  | £'000    | £'000           |
|                 | <b>Expenditure</b>   |          |                 |
| 3,274           | Repairs and Maintenance  | 3,781    |                 |
| 4,760           | Supervision and Management   | 4,727    |                 |
| 194             | Rents, Rates, Taxes, & Other Charges   | 165      |                 |
| 5               | Revaluation charged to CIES  | (274)    |                 |
| 6,578           | Non-Current Assets Depreciation /Impairment  | 4,331    |                 |
| 23              | Debt Management Costs  | 29       |                 |
| 87              | Increase in Provision for Bad and Doubtful Debts   | 259      |                 |
| 65              | Revenue Expenditure Funded from Capital Under Statute  | 1,064    |                 |
| <b>14,986</b>   | <b>Total Expenditure</b>   |          | <b>14,082</b>   |
|                 | <b>Income</b>  |          |                 |
| (18,924)        | Dwelling Rents   | (19,979) |                 |
| (167)           | Non Dwelling Rents   | (173)    |                 |
| (539)           | Charges for Services and Facilities  | (608)    |                 |
| (188)           | Contributions towards expenditure  | (334)    |                 |
| (98)            | Grant Income   | (304)    |                 |
| <b>(19,916)</b> | <b>Total Income</b>  |          | <b>(21,398)</b> |
| <b>(4,930)</b>  | <b>Net Expenditure of HRA Services as Included in the Whole Authority CIES</b>   |          | <b>(7,316)</b>  |
| 0               | HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services |          | 0               |
| <b>(4,930)</b>  | <b>Net Expenditure of HRA Services</b>   |          | <b>(7,316)</b>  |
|                 | HRA share of the operating income and expenditure included in the CIES   |          |                 |
| (971)           | (Gain)/ loss on sale of HRA assets   |          | (971)           |
| 2,918           | Interest payable and similar charges   |          | 3,007           |
| (12)            | Interest and Investment Income   |          | (34)            |
| 99              | Interest on net defined benefit liability/ (asset)   |          | 96              |
| (3,260)         | Capital Grants   |          | (2,792)         |
| <b>(6,156)</b>  | <b>(Surplus) or deficit for the year on HRA services</b>   |          | <b>(8,010)</b>  |

The Impairments shown in the above expenditure against the line "Non-Current Assets Depreciation /Impairment" relate to non enhancing capital expenditure incurred during the financial Year.

Vale of Glamorgan County Borough Council  
**Movement on the HRA Statement**

| 2018/19        |   | 2019/20        |
|----------------|---|----------------|
| £'000          |   | £'000          |
| (775)          | <b>Balance on the HRA at the end of the previous year</b>                     | <b>(2,668)</b> |
| (6,156)        | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | (8,010)        |
| 4,263          | Adjustments between accounting basis and funding basis under statute          | 2,730          |
| <b>(1,893)</b> | <b>Increase/(Decrease) during the financial year</b>                          | <b>(5,280)</b> |
| <b>(2,668)</b> | <b>Balance on the HRA at the end of the current year</b>                      | <b>(7,948)</b> |

**Note to the Statement of Movement on the HRA Balance**

**Adjustments between Accounting Basis and Funding Basis under Statute**

|   | 2018/19      | 2019/20      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Revaluation Loss/ Gain on Property, Plant and Equipment       | (5)          | 274          |
| Charges for depreciation and Impairment of Non Current Assets | (6,578)      | (4,331)      |
| Capital Grants and Contributions                              | 3,260        | 2,792        |
| Statutory Provision for the Financing of Capital Investment   | 1,517        | 1,545        |
| Revenue Expenditure Funded from Capital Under Statute         | (66)         | (1,064)      |
| Capital Expenditure charged against HRA                       | 5,478        | 2,808        |
| Gains / (Losses) on sales of non current assets               | 970          | 971          |
| Pensions Reserve  | (313)        | (265)        |
| Accumulated Absences  | 0            | 0            |
| <b>Total Adjustments</b>                                      | <b>4,263</b> | <b>2,730</b> |

**Summary**

Housing Revenue Account revenue balance at 31<sup>st</sup> March 2020 is £7.948M.

**1. Gross Dwelling Rent Income**

This is the total dwelling rent income due for the year after allowance is made for voids. During the year 0.95% of the total dwelling rent due was uncollectable due to lettable properties being vacant; in 2018/19 the figure was 0.75%. Average dwelling rents were £100.22 a week in 2019/20, an increase of 6.02% over the previous year.

## 2. Rent Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. 58.8% of the Council's tenants receive some help with the costs of rent charges.

## 3. Housing Stock

Average Housing Stock over the past twelve years is shown in the following table:

|         |       |
|---------|-------|
| 2007/08 | 3,959 |
| 2008/09 | 3,951 |
| 2009/10 | 3,949 |
| 2010/11 | 3,946 |
| 2011/12 | 3,944 |
| 2012/13 | 3,943 |
| 2013/14 | 3,940 |
| 2014/15 | 3,937 |
| 2015/16 | 3,930 |
| 2016/17 | 3,909 |
| 2017/18 | 3,891 |
| 2018/19 | 3,883 |
| 2019/20 | 3,868 |

The numbers and types of dwelling at 31<sup>st</sup> March for the past two years are shown below:

| Number of Dwellings by Type | At 31 <sup>st</sup> March<br>2019 | At 31 <sup>st</sup> March<br>2020 | Disposals<br>2019/20 |
|-----------------------------|-----------------------------------|-----------------------------------|----------------------|
| 1 Bedroom Houses            | 0                                 | 0                                 | 0                    |
| 2 Bedroom Houses            | 308                               | 308                               | 0                    |
| 3 Bedroom Houses            | 1,560                             | 1,554                             | (6)                  |
| 4 or more Bedroom Houses    | 87                                | 86                                | (1)                  |
| 1 Bedroom Bungalows         | 261                               | 261                               | 0                    |
| 2 Bedroom Bungalows         | 71                                | 71                                | 0                    |
| 3 Bedroom Bungalows         | 32                                | 32                                | 0                    |
| 1 Bedroom Flats             | 862                               | 862                               | 0                    |
| 2 Bedroom Flats             | 585                               | 585                               | 0                    |
| 3 Bedroom Flats             | 94                                | 93                                | (1)                  |
| Other – Hostel              | 15                                | 15                                | 0                    |
| <b>Total</b>                | <b>3,875</b>                      | <b>3,867</b>                      | <b>(8)</b>           |

The change in stock can be summarised as follows:-

|   |              |
|---|--------------|
| <b>Housing Stock 31<sup>st</sup> March 2019</b> | <b>3,875</b> |
| Less: Sold                                      | (8)          |
| Change of Use                                   | 0            |
| New Build                                       | 0            |
| <b>Housing Stock 31<sup>st</sup> March 2020</b> | <b>3,867</b> |

#### 4. Rent Arrears

During the year 2019/20 rent arrears as a proportion of gross rent income was 6.64% of the amount due, compared to 4.92% in 2018/19. The figures are as follows: -

|                                   | 2018/19 | 2019/20 |
|-----------------------------------|---------|---------|
|                                   | £'000   | £'000   |
| Arrears at 31 <sup>st</sup> March | 1,057   | 1,509   |

Amounts written off during the year amounted to £12k. The aggregate provision in respect of uncollectable rent and other housing debts is £1.089M.

#### 5. Sale of Council Dwellings/ Administration Costs

The costs of administering the sale of Council dwellings (disposal proceeds £964k) were £3k in 2019/20, compared to £6k in 2018/19 (disposal proceeds £1.695M).

#### 6. Water Rates

Total monies collected in respect of water rates were £1.538M (£1.522M in 2018/19). Commission earned on this for 2019/20 was £251k (£154k in 2018/19).

#### 7. Capital Expenditure

Capital Expenditure of £9.539M has been spent in 2019/20 improving Council Dwellings, this Capital Expenditure has been taken into account at arriving at the Council Dwellings valuation.

#### 8. Capital Funding

|  | 2018/19       | 2019/20      |
|--|---------------|--------------|
|  | £'000         | £'000        |
| Unsupported Borrowing                          | 0             | 0            |
| Supported Borrowing – Affordable Housing Grant | 937           | 2,458        |
| Usable Capital Receipts                        | 1,689         | 1,361        |
| Revenue Contributions                          | 5,479         | 2,808        |
| Major Repairs Reserve                          | 2,759         | 2,760        |
| Section 20 contributions                       | 500           | 32           |
| Other Capital Grants                           | 80            | 120          |
| <b>Total</b>                                   | <b>11,444</b> | <b>9,539</b> |

#### 9. Assets - Depreciation / Impairment

The charge is broken down as follows:-

| Council Dwellings                        | 2018/19      | 2019/20      |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Depreciation of Dwellings                | 1,330        | 1,334        |
| Depreciation of Other Land and Buildings | 3            | 8            |
| Depreciation of Equipment                | 0            | 4            |
| Impairment                               | 5,245        | 2,985        |
| <b>Total</b>                             | <b>6,578</b> | <b>4,331</b> |

Council Dwellings / Other are included in note 15 to the main accounts, Property, Plant and Equipment.

### 10. Pension Reserve

Staff that are employed within the HRA are included in the Vale of Glamorgan Council's share of the Cardiff and Vale of Glamorgan Pension Fund and therefore a proportion of the actuarial adjustments are included in the HRA accounts.

The impact of the principal assumptions used by the independent qualified actuaries in updating the latest valuations of the Fund for IAS 19 are shown below.

|   | 2018/19    | 2019/20    |
|---|------------|------------|
|   | £'000      | £'000      |
| IAS 19 Adjustment   | 89         | 169        |
| Adjustment against the net defined benefit liability for the McCloud Ruling | 126        | 0          |
| Interest on net defined benefit liability/ (asset)                          | 98         | 96         |
| <b>Contribution from Pension Reserve</b>                                    | <b>313</b> | <b>265</b> |

### 11. Major Repairs Allowance

The Major Repairs Allowance is a grant provided by the Welsh Government and is used to fund capital expenditure in the Housing Revenue Account.

|  | 2018/19  | 2019/20  |
|--|----------|----------|
|  | £'000    | £'000    |
| <b>Opening Balance brought forward</b> | <b>0</b> | <b>0</b> |
| Grant Received in Year                 | 2,759    | 2,760    |
| Grant Utilised in Year                 | (2,759)  | (2,760)  |
| <b>Closing Balance Carried Forward</b> | <b>0</b> | <b>0</b> |

## Trust Funds

### Welsh Church Acts

The Council is sole trustee of this Fund which was set up on the disestablishment of The Church in Wales. Funds generated from investments and property rents are disbursed in the form of grants to deserving causes on the basis of applications considered by the Welsh Church Act Estate Committee.

|                  | Balance at<br>31 March<br>2019 | Acquisitions<br>/ Disposals | Revaluation | Surplus/<br>(Deficit) | Balance at<br>31 March<br>2020 |
|------------------|--------------------------------|-----------------------------|-------------|-----------------------|--------------------------------|
|                  | £'000                          | £'000                       | £'000       | £'000                 | £'000                          |
| Accumulated Fund | 5,096                          | 0                           | (121)       | (6)                   | 4,969                          |

The non-current assets of the fund are included at their 31 March 2020 value. The external investments held by the fund are included at their fair value at 31 March 2020.

The Welsh Church Acts fund although not audited as part of the Council audit, will be subject to independent examination by Audit Wales.

## Glossary

### Accounting Period

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

### Accounting Policies

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

### Accruals

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

### Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because the events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have varied.

### Amortisation

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

### Asset

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

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

### Assets Under Construction

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

### Balance Sheet

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

### Beacon Valuation

This approach is designed to value large groups of properties which are of similar design, age or construction. In essence, this approach comprises three stages:

- a) Dividing the stock into Asset Groups (large groupings of properties such as a housing estate or groups of estates);
- b) Sub-dividing these Asset Groups into Archetype Groups (dwellings within the Asset Groups which have similar characteristics and;
- c) Selecting a Beacon Property – an actual property which is representative of its Archetype group.

### **Capital Financing**

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

### **Capital Receipt**

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

### **Cash Equivalents**

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

### **Community Assets**

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

### **Comprehensive Income and Expenditure Account**

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

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Creditor**

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

### **Current Service Cost (Pensions)**

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

### **Debtor**

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

### **Defined Benefit Pension Scheme**

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

### **Depreciated Replacement Cost (DRC)**

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

### **Depreciation**

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

### **Discretionary Benefits (Pensions)**

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

### **Effective Interest Rate**

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

### **Employee Benefits**

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

### **Events After The Balance Sheet Date**

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

### **Exceptional Items**

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

### **Existing Use Value (EUV)**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. It assumes that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

### **Expected Return on Pension Assets**

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

### **Extraordinary Items**

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

### **Fair Value**

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

### **Financial Instrument**

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

### **Going Concern**

The concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

### **Gross Carrying Amount (GCA)**

This is the value of the land, building or other category of non current asset as per the latest valuation including any enhancements but before allowing for any depreciation or impairments.

### **Housing Revenue Account (HRA)**

A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **Inventories**

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

### **Liability**

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

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

### **Materiality**

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

### **Minimum Revenue Provision (MRP)**

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

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

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

### **Net Book Value**

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

### **Operating Lease**

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

### **Past Service Cost (Pensions)**

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

### **Pension Scheme Liabilities**

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

### **Precept**

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

### **Prior Year Adjustment**

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

### **Provision**

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

### **Public Works Loan Board (PWLB)**

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

### **Related Parties**

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

### **Remeasurement of Pension Liability**

Changes to the pension liability made to reflect the return on plan assets and because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions

### **Reserves**

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

### **Residual Value**

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

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

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

### **Revenue Support Grant –**

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

### **Soft Loan**

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

### **Trust Funds**

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

### **Useful Economic Life (UEL)**

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

The Council is required to undertake an annual review of internal control and governance and this is achieved by producing the Annual Governance Statement (AGS) which must be included within the Statement of Accounts. The AGS describes the Council's corporate governance arrangements and provides an assessment of those arrangements and where appropriate identifies improvements that need to be made.

### The Purpose of the Governance Framework

The Council's Governance Framework comprises all the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves.

A significant part of that framework is the Council's system of internal control. This helps to manage and control the business risks that the Council encounters in delivering its operations. Not all risks can be eliminated but they can be reduced and mitigated by implementing effective systems of control. This can only provide reasonable and not absolute assurance of the effectiveness of the environment. The Council's Governance Framework, including the Council's system of internal control, has been in place for the year ended 31<sup>st</sup> March 2020 and up to the date of the approval of the Statement of Accounts and is a continuous process.

The Council's Code of Corporate Governance was reviewed in 2016/17, with the amendments made being based upon the "Delivering Good Governance in Local Government: Framework" (CIPFA/SOLACE, 2016). The Framework positions the attainment of sustainable economic, social, and environmental outcomes as a key focus of good governance processes and structures. The focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

This Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31<sup>st</sup> March 2020.

As with all work undertaken by the Council, the Annual Governance Statement reflects the Council's responsibilities under the Well-being of Future Generations (Wales) Act 2015. The Council recognises the need to ensure that in line with the sustainable development principle we take account of how our decisions may impact on future generations. The Council has embedded the five ways of working across its activities and in delivering our priorities we will maximise or contribution to the seven national Well-being Goals.

## Scope of Responsibility

The Vale of Glamorgan Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for and used economically, efficiently and effectively. The Vale of Glamorgan Council sees Corporate Governance as doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Strong, transparent and responsive governance enables the Vale of Glamorgan Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens confidence, these mechanisms must be sound and be seen to be sound.

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA and SOLACE Framework - Delivering Good Governance in Local Government 2016. This statement explains how the Council has complied with the Code.

The Code of Corporate Governance sets out the principles of good governance and describes the arrangements in place to meet each of these principles.

A copy of the Council's Code is available on our website at [www.valeofglamorgan.gov.uk](http://www.valeofglamorgan.gov.uk)

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

B - Ensuring openness and comprehensive stakeholder engagement.

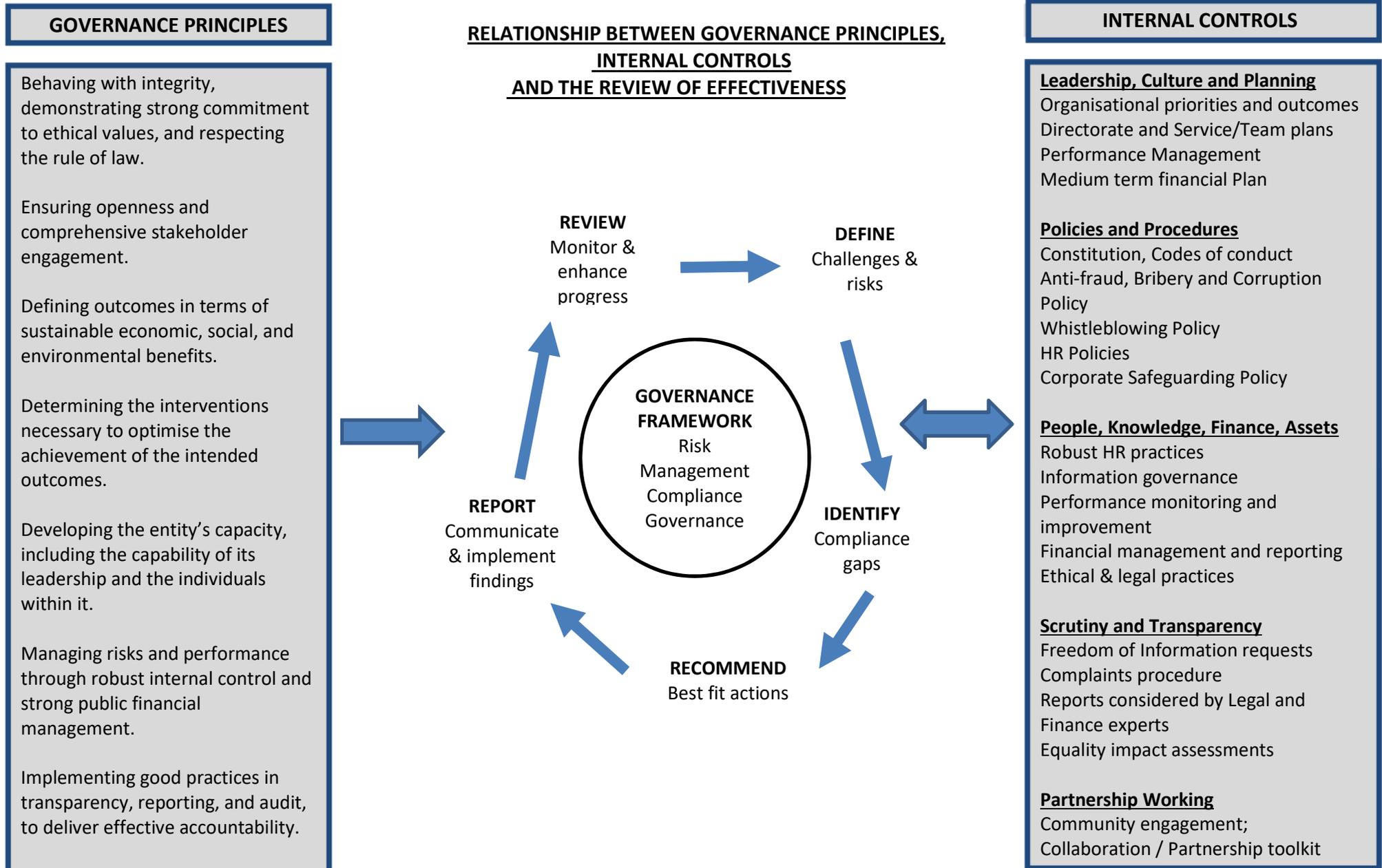
C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

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 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.



## **IMPACT OF COVID 19 PANDEMIC**

The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. This followed similar action in other countries across the world. The UK Government put into place a limited number of reasons for people to be allowed to leave their homes. As a consequence, many non-essential shops and businesses had to close, schools were closed and all non-key workers were required to work from home where possible. Initially the lockdown was for a period of 3 weeks but this was then extended a number of times with some easing of restrictions at various stages with different rules in different parts of the UK. The worldwide COVID 19 pandemic has, and will continue to have, an unprecedented impact upon society as a whole. This led to significant changes to the day-to-day management of the Council, and the nature and delivery of its operations.

The Council's response to the coronavirus pandemic was managed in line with the Council's emergency planning arrangements and followed three broad phases:

- i. Preparation
- ii. Response
- iii. Recovery

During the early months of 2020, efforts were made to prepare the organisation for the potential implications of a public health emergency. The most critical elements of this phase were the establishment of the Gold reporting structure, strategy and the identification of critical services and how these could be protected. However, due to the speed at which the pandemic spread across Europe, the work of the organisation quickly moved into the response phase. The Council made significant changes in response to the pandemic and associated government regulations and advice, including:

- i. Closure of schools and creation of hubs for key workers' children
- ii. Introduction of free school meals vouchers for those eligible
- iii. Payment of thousands of grants to businesses
- ii. Closure of a significant number of services including libraries, parks and recycling centres
- iii. Changes to the operation of care homes, domiciliary care and social work.
- iv. Movement of a large proportion of the Council's staff to work from home.
- v. Establishment of a PPE distribution team.
- vi. Establishment of a Crisis Support Team, Vale Heroes and relationships with third sector support organisations.
- vii. The payment of a temporary up lift in salary to nearly 500 front-line staff working in the most challenging circumstances.

As the country moved into lockdown, all formal meetings including Council, Cabinet, Scrutiny and Audit Committees were cancelled. The Remote Attendance at Council Meetings Statutory Guidance made under Section 4 of the Local Government (Wales) Measure 2011 requires that, even where remote access is permitted as part of a Council's constitution, any meeting with remote attendees is not quorate if there are less than 30% of those eligible to attend present at the main meeting place. As such, the Measure prevented any meeting of Council or its subcommittees to be quorate at the time of the Governments implementation of lockdown measures.

As a result of the need to suspend Council meetings it was necessary to ensure that the Council had robust governance arrangements in place to ensure business continuity as emergency legislation from Central Government and Regulations from Welsh Government were being issued.

The Council's Constitution provides that the Managing Director or in his absence the nominated Deputy has the delegated power to act, after consulting the appropriate Cabinet Member in respect of any matter which, in his opinion:

- a) requires immediate action, and
- b) does not justify holding a special meeting of the body which would ordinarily consider the matter or is of such urgency or emergency as not to allow for such a meeting, use of such delegated powers to be subsequently reported back to the Cabinet or Council as appropriate.

In the case of matters involving financial commitments, the Leader, Section 151 Officer and the appropriate Chief Officer must also be consulted.

To assist transparency, all decisions approved under the use of the Managing Director's Emergency Powers were recorded and reported by Democratic Services on a fortnightly basis by email to all Members of the Council and made available to the public for inspection on the Vale of Glamorgan Council website.

A detailed report on Coronavirus Preparations, Officer Delegations and Council Working / Business Continuity was presented to Cabinet on the 23<sup>rd</sup> March and the recommendations agreed.

The Council's Corporate Management Team held daily virtual meetings as a Gold Command using well established Emergency planning reporting mechanisms. This allowed consideration of urgent matters, a focus on strategic actions as well as those where decisions were required in a very short timescale. The meetings also focussed on key areas of risk to the organisation as well as the communities of the Vale of Glamorgan. The meetings were chaired by the Managing Director and also involved the Leader and Deputy Leader as well as the Council's Emergency Planning lead and Communications Manager. Any decisions taken that would normally require Cabinet or Council approval were made via the Managing Director's Emergency Powers and these were documented and reported.

Subsequently, on the 22<sup>nd</sup> April 2020 Welsh Government issued new regulations, the Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 which relaxed the quorum restrictions and allowed remote attendance at meetings.

Welsh Government provided a number of specific grants to meet the additional costs to Local Authorities, for costs in general and targeted at specific areas, such as adult social care and homelessness services. Costs were collated across the Council to enable these grants to be obtained. There is also the impact of lost income from fees and charges, which creates an additional pressure. At this stage it is unclear whether this additional funding will cover all of the Council's additional costs incurred as a result of the pandemic, but close monitoring is in place and all costs are subject to close scrutiny.

Changed working practices had to be introduced due to the impact of remote working. Internal controls and risk management have been adapted by management to support this and Internal Audit were consulted where appropriate to ensure they were effective. Internal Audit will be reviewing those arrangements during 2020/21 to provide assurance that they remain effective.

#### Recovery

A Recovery Strategy is being developed with the aim of establishing a council wide approach to the recovery of the organisation.

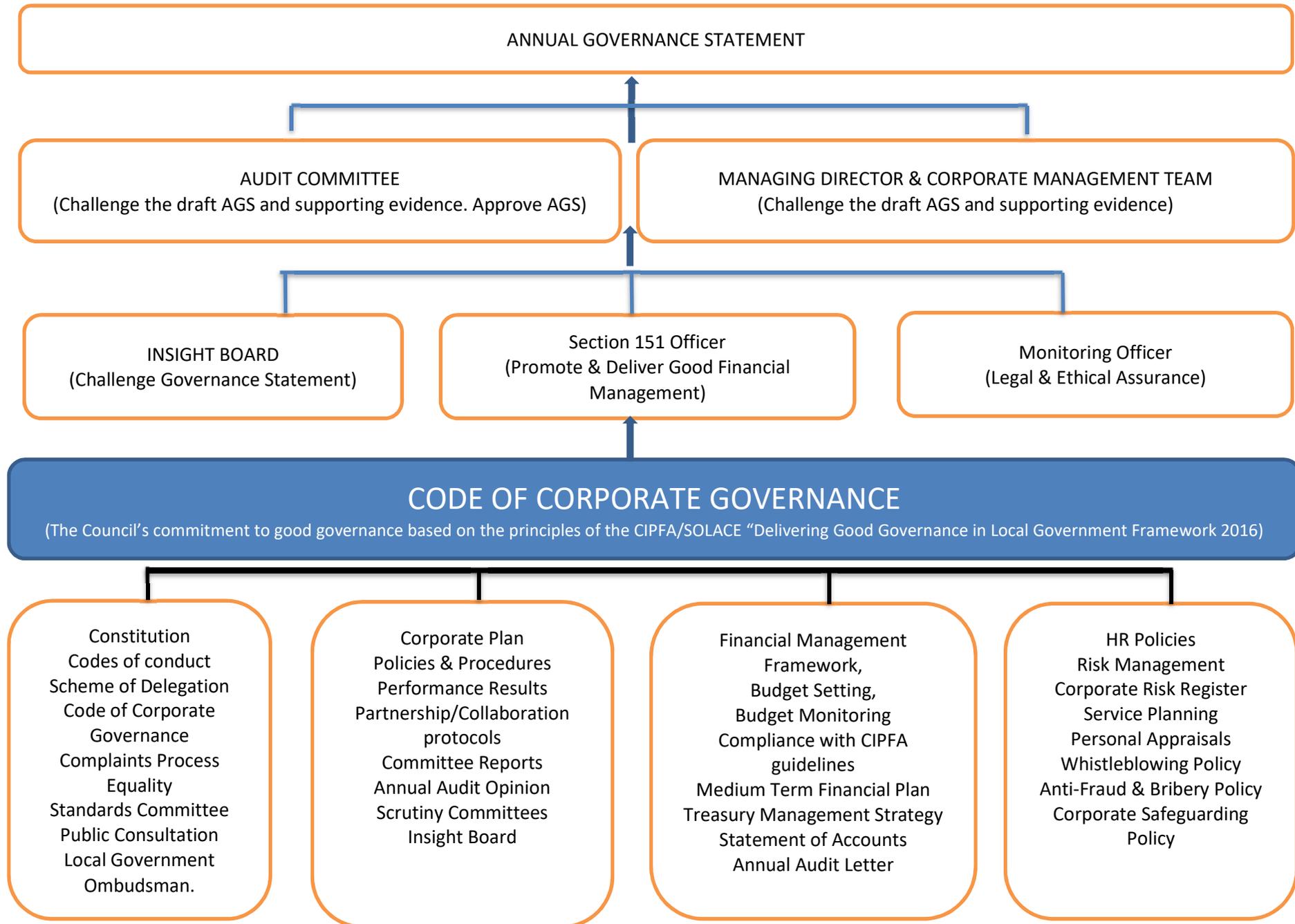
The Recovery Strategy was developed in line with the Council's Emergency Planning procedures in managing the recovery phase.

Key principles followed in the development of the strategy included:

- i. Recognise this is not 'recovery' to a previous state for all services;
- ii. Acknowledge the recovery process will take significant time and be influenced by a number of significant issues, and will not necessarily be linear ('lockdowns' or other regulations may be introduced that impact upon different services in different ways and at different times and at short notice);
- iii. Identify this as an opportunity unlike any other to fundamentally think about the way in which the Council operates.

The organisation has moved at a pace and scale to deliver change that has never been seen before. The learning from this is being harnessed and used to reshape the Council.

The longer-term consequences of the coronavirus pandemic are not yet known. However, it is inevitable that a number of businesses will find themselves in financial difficulties and maybe go out of business. There are also likely to be potential increases in levels of deprivation with associated demands placed upon Council services as a consequence of the increased number of families applying for universal credit and council tax support. Financially we expect there to be pressures on service costs, and reduced council tax and business rates income. In the short term it will be difficult to quantify the wider impacts, which will be understood once the peak of the pandemic has passed and life begins to return to some form of normality.



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

The Council supports a culture of behaviour based on shared values, ethical principles and good conduct. This guides how the long-term vision is put into effect and how members and officers behave in their day to day work. The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be completed. The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of delegations, contract and financial procedure rules. Codes of Conduct are in place which define the high ethical values and standards of behaviour expected from Elected Members and officers to make sure that public business is conducted with fairness and integrity. The Council's Code of Conduct for its Elected Members builds on the seven principles of public life and the Council has arrangements in place to receive and investigate allegations of breaches of proper standards of conduct which are outlined within the Council's Constitution, including the Council's Local Dispute Resolution Procedures and the Protocol of Standards which support the Code of Conduct for Elected Members.

The Council's Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

The Council seeks feedback from the public through its complaints procedure for both Corporate and Social Services areas, responding to the outcomes as appropriate and reporting the results at least annually to the Audit Committee. During 2019/2020 the Council received 525 complaints, 68% of which were dealt with within corporate target timescales. The percentage of complaints being resolved at Stage 1 was 93.3% and 6.7% at Stage 2. A slightly higher percentage of complaints have been resolved at Stage 1 than in the previous year.

The Council also has a clear Whistleblowing Policy and arrangements in place for staff. During 2019/20, 3 concerns were raised, 1 of the concerns were not upheld and 2 issues remain under investigation. The policy was reviewed and updated in 2019/20 and is awaiting approval.

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

The Constitution is at the heart of the Council's business. It provides an important means of enabling councillors, officers, citizens and stakeholders to understand how the Council makes decisions and who is responsible for those decisions. It also regulates the behaviour of individuals and groups through the codes of conduct, protocols and standing orders. Through the Council's Constitution, the Council has created the conditions necessary to ensure that the statutory Chief Officers, other key post holders, Members and where appropriate statutory committees are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.

Although safeguarding maintains its medium/low status on the Corporate Risk Register, it continues to be a high priority across the Council. The Corporate Safeguarding Group ensures that arrangements reflect corporate leadership, scrutiny and assurance and that there are effective policies, training and safe recruitment processes in place. This group takes responsibility for ensuring that the safeguarding agenda is known, understood and adhered to consistently across the Council and highlighting that it is a collective responsibility.

The Social Services and Well Being (Wales) Act 2014 sets out a number of statutory functions of local authorities. Since its enactment there has been service wide development and awareness raising to ensure that safeguarding statutory responsibilities for employees in relation to their "duty to report" where it is recognised and understood as 'everyone's responsibility'.

Our core focus during 2019/20 has been on developing a single set of Safeguarding procedures for the whole of Wales, that can be adopted and used by all practitioners. This will ensure a more consistent approach to safeguarding policy and practice across the nation as a whole. This piece of work was led by the Vale of Glamorgan's Director of Social Services. The new Safeguarding Procedures were agreed and formally launched in November 2019 as part of National Safeguarding Week. To support this work, a digital app was developed containing these procedures for use by practitioners.

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

The Council is committed to understanding and learning from the views of the public. Engagement is the process by which views of stakeholders are able to inform and influence policy and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.

The Council's Public Engagement Framework details public engagement activities which are undertaken by the Council. During 2019/20 the Council has undertaken a number of consultation and engagement projects. These included the following:

- The Future of Council services – Budget 2020/21 Consultation
- Arts Consultation
- Council Tax Reduction Scheme
- School Admissions Policy
- Corporate Plan 2020-25
- Annual Delivery Plan
- Strategic Equality Plan
- School Transport Fayres
- S106 – Dinas Powys Open Spaces
- Penarth Cardiff Barrage Sustainable Transport Study
- Cowbridge Primary Provision
- Cosmeston Play Area
- Rhoose Sustainable Transport S106 Scheme
- Commercial Waste Services
- Social Services Performance Measures Consultation

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

In 2019/20 following the Staff Survey 2018 results, Local Engagement and Innovation Groups were established in all directorates to allow Heads of Service and local Engagement leads to drive forward the staff survey results and innovation ideas in a localised setting, and allow all staff to share views and ideas with local Engagement Champions. Following this all areas will have Local Engagement Action Plans that will work in conjunction with the Corporate Action Plan to drive forward engagement and innovation.

In 2019/20 the CMT/Engagement Forum was reviewed and relaunched as the Engagement and Innovation Forum, with a new intake of Engagement Champions and a new focus to make tangible changes that directly impact the Engagement Index within Survey, starting with the review of the Staff Charter, which will launch in 2020/21.

Decisions made by the Council and/or Cabinet are documented in the public domain, unless confidential along with reasons for those decisions. The impact and consequences of all decisions are clearly set out.

A range of methods are used to gather Vale residents' views. These range from traditional methods such as quantitative surveys and focus groups to engagement events involving the use of participative methods of interactive workshops. A new Public Engagement Database has been developed and implemented which further enhances the current arrangements already in place.

Examples of positive stakeholder feedback received include:

- Public Opinion Survey carried out between January and February 2019 showed that the overall satisfaction with Council services had reduced from 92% to 87%.
- 98% of residents were either very satisfied or satisfied with the Vale of Glamorgan as a place to live.

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

In September 2019, as part of the Council's budget consultation for 2020/21, residents were invited for the first time to have their say on the level at which Council Tax should be set for the coming financial year. To support this a video was published explaining the Council's current financial situation including where the Council's money comes from, how it is spent, the savings achieved to date and the savings required in the next three years. The video also provided context as to how Council Tax levels in the Vale compare to other local authority areas in Wales.

The consultation process was promoted across the Council's social media channels such as Facebook and Twitter, the local press and the Council's Leader responded to questions on local radio. Council officers attended local events to engage face to face with residents and ran a series of roadshow drop-in events at Libraries throughout the Vale of Glamorgan.

The public consultation response indicates that only 38% of respondents were fully aware of the financial shortfalls the Council faced over the next three years, with a further 38% reporting that they were not fully aware of the extent of the shortfall and 24% were not aware of the shortfall.

The consultation respondents were also asked to indicate what approach the Council should take to address the shortfall.

The responses showed a split in opinion. Around half of respondents were happy for Council Tax to be increased to the Welsh average or just above in order to protect services from further cuts, and the other half wanted to see council tax kept below the Welsh average, even if this meant cuts to services.

**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic,  
social, and  
environmental  
benefits.**

“Strong Communities with a Bright Future” was the vision for the Vale of Glamorgan and the Corporate Plan 2016-20 set out how the Council intended to work towards the delivery of this vision and the promotion of well-being. The Plan set out the activities to be undertaken to ensure the best possible outlook for Vale citizens and communities.

In delivering this vision, the Council was mindful of the short, medium and long term challenges and the need to work with partners and the local community. In developing the Council’s Corporate Plan for 2016-20, consideration was given to the achievements from the previous plan, local needs and available resources and has incorporated the views of residents, partners and staff to inform the Council’s key priorities going forward. The Council was keen to embrace the Well-being of Future Generations (Wales) Act 2015 (WFGA) and did so ahead of the statutory timetable. The Corporate Plan had a more outcome focused approach and was based on four Well-being Outcomes with eight associated Well-being Objectives that are aligned to the well-being goals of the WFGA. These Well-being Outcomes were:

- An Inclusive and Safe Vale;
- An Environmentally Responsible and Prosperous Vale;
- An Aspirational and Culturally Vibrant Vale, and
- An Active and Healthy Vale.

The Corporate Plan 2016/20 was underpinned by a set of enabling strategies (these were the Asset Management Plan, Medium Term Financial Plan, Human Resources Strategy, Workforce Plan, ICT Strategy, Customer Relations Strategy, Performance Management Framework and Risk Management Strategy and Register) which together formed the Council’s overall policy framework supporting improvement.

An integrated model of working was introduced to look at all aspects of corporate governance and planning arrangements to ensure that they are inter-related, complementary, consistent and no longer undertaken in isolation. This ensured that the Council’s integrated processes and policies become an enabling force for the delivery of the Corporate Plan’s vision and the Well-being Outcomes.

Having reviewed the Council’s progress made to date in relation to delivering the Corporate Plan Well-being Outcomes and corresponding Objectives, the Council remains assured that the priorities set in April 2019 to deliver the final year of the Corporate Plan 2016/20. continued to be relevant priorities for 2019/20.

**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic, social,  
and  
environmental  
benefits.**

A significant piece of work was undertaken during 2019/20 to develop and consult on a new Corporate Plan. The Corporate Plan was approved by Council on 26<sup>th</sup> February 2020 and sets out the Council's priorities for the next five years (2020-2025), commencing from 1<sup>st</sup> April 2020. Work also started on developing an Annual Delivery Plan 2020/2021. The ADP sets out the key activities that will be undertaken by the Council in year to deliver on the commitments in the Corporate Plan and will be published each Spring.

Both the Local Government (Wales) Measure 2009 and the Well-being of Future Generations (Wales) Act 2015, place specific duties on objective setting and reporting. The retrospective aspect of this duty involves undertaking an annual self- assessment. This is one of the most significant documents produced by the Council that is used to demonstrate effective accountability and transparency. During the latter part of 2019/20, the Council undertook a self-assessment process which was published in October 2019.

The Annual Report presents a position statement on the Council's performance over the past year in delivering the Council's priorities (also referred to as the Part 2 Improvement Plan). Self-assessment of performance is an important way for the Council to identify the capacity and ability to deliver continuous improvement by identifying areas of strength and those requiring particular focus in coming years. The challenges and achievements from the Annual Report are used to identify the actions required to be undertaken in future years and progressed through the service plans. The assessment undertaken as part the 2018/19 Annual report informed the "forward-looking" element of this which is documented in the 2019/20 Well-being Objectives and Improvement Plan Part 1 which (along with service plans and associated targets) was published in April 2019.

The "forward-looking" element for 2020/21 will be documented slightly differently to previous years, as 2020/21 marks the beginning of a new Corporate Plan. Therefore, the document previously called the Improvement Plan Part 1 will now be presented as the Annual Delivery Plan (which along with service plans and associated targets) was approved in May 2020 and published in June 2020. This is later than usual, due to the lockdown introduced because of the COVID 19 pandemic which has meant that it has not been possible for the ADP to be considered by any of the Council's Scrutiny Committees and Council in March/April 2020 as originally planned.

**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic, social,  
and  
environmental  
benefits.**

Monthly reviews and monitoring of corporate improvement priorities are undertaken to ensure actions are completed, reported and closed down in a timely manner. An annual review of regulatory recommendations / proposals for improvement also form part of the Council's Annual Self-assessment process enabling the Council the ability to demonstrate progress on implementation of these in line with the Council's duties under the Local Government (Wales) Measure 2009 and Audit Committee receives a six months progress report.

The Insight Board continues to enhance and streamline the corporate governance arrangements relating to integrated planning activities and reports to CMT and Cabinet.

This focused approach is contributing to more integrated business planning practices, staff development opportunities, continued promotion of "One Council" working and has significantly reduced the overall amount of officer time spent in meetings.

With corporate improvement and performance a key aspect of the remit of the Board, monthly reviews and monitoring of corporate improvement priorities are undertaken to ensure actions are completed, reported and closed down in a timely manner.

Membership of the Insight Board has recently been reviewed and a new approach has been developed to enhance monitoring and reporting of progress against key priorities. The new action tracker also includes a range of actions agreed in response to the simple changes developed and promoted by the Well-being of Future Generations Commissioner.

An annual review of regulatory recommendations / proposals for improvement also forms part of the Council's annual self-assessment process enabling the Council to demonstrate progress on implementation of these in line with the Council's duties under the Local Government (Wales) Measure 2009 and Audit Committee receives a six months progress report.

**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic, social,  
and  
environmental  
benefits.**

The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets.

The Council was able to transfer £2.5m from revenue into reserves at year end which resulted in a breakeven position, however, there were areas experiencing financial pressures mainly in Education and Waste Management. £53.1m was spent through the capital programme during 2019/20, with £20.6m relating to Schools.

The Council received an increase in its revenue settlement from Welsh Government for 2020/21 of 4.29% (after adjustments). This was the first increase for many years. The Council was therefore able to set an efficiency target of £247k for 2020/21 which is significantly lower than the targets that had been set in previous years, with no reduction in funding for Schools.

The financial challenges facing the Council could still be significant depending on future settlements from Welsh Government. This has become more uncertain due to the Coronavirus pandemic and the position will need to be assessed when further information becomes available. The possibility of future reductions in funding needs to be considered.

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

The Council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. The Council must have robust decision-making mechanisms in place to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. The Council recognises that informed decision making is a fundamental part of good governance. Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options. In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

The Council is a major partner in the Public Services Board, with the Leader chairing this partnership which works to deliver the Vale Well-being Plan. The Cardiff and Vale Regional Partnership Board brings together the two regional local authorities with health and others, to focus on delivering joined-up services across health, social care and housing.

One of the Council's key strengths is its ability to explore opportunities to work in partnership with others and the Council has developed a robust approach to collaborative working to enable it to maximise benefits for its customers and residents. The Council has developed and hosts a number of regional services, including the Shared Regulatory Service and the Regional Internal Audit Service.

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

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council is committed to ensuring that the relevance of the Well-being Objectives in the new Corporate Plan 2020-25 continue to reflect the priorities for the Vale of Glamorgan. The Council will also ensure that its new Well-being Objectives in the Corporate Plan are aligned to the Public Service Board's Wellbeing Objectives and priorities.

The Council undertakes annual Service Planning through which regular self-assessment takes place as a means of achieving continuous improvement across both corporate and service-related functions. This informs and is informed by the Corporate Plan, the Council's Improvement Plan as well as a Performance Audit Programme which is produced in conjunction with the Council's external regulators.

The Council's vision and priorities as set out in the Corporate Plan 2016/20 were reflected in Service Plans and informed the development of detailed actions and performance targets which contribute towards the achievement of Corporate Plan priorities. Scrutiny Committees review the Service Plans on a quarterly basis, including the achievement of set targets and actions through performance reporting.

**Principle E –  
Developing the  
entity’s capacity,  
including the  
capability of its  
leadership and  
the individuals  
within it.**

The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery. All new members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council. There is a Member Development Strategy, which provides a framework for supporting elected members in the numerous roles that they are required to undertake both within, and outside, the Council.

The Corporate Management structure consists of the Managing Director, three Corporate Directors, the Council’s Monitoring Officer, the Council’s Section 151 Officer, the Head of Human Resources and the Head of Performance and Development. The roles and responsibility of Corporate Officers are defined in agreed job profiles and set out in the Council’s Constitution. Chief Officer Performance is reviewed on an annual basis in accordance with the Chief Officer Appraisal process.

The Managing Director is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information / support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors. Members are offered training on key issues as the need arises. In December 2018, the first Member Development Expo was held to which all 47 members were invited. The next session of the Expo series was held in July 2019, focusing on the theme of navigating future change. The session provided:

- An update on the key issues facing the authority;
- An overview of the Reshaping Services Programme, including the staff engagement activities associate with “Big Conversation 2”.
- An introduction to the development of the new Corporate Plan for 2020-2025.
- An opportunity to discuss Reshaping Services projects underway within directorates
- The opportunity to feed into and influence the development of the next phase of the Reshaping Services programme.

**Principle E –  
Developing the  
entity’s capacity,  
including the  
capability of its  
leadership and  
the individuals  
within it.**

Through the established workforce planning and staff engagement processes, the Council continues to maintain a highly skilled and resilient workforce that is responsive to the constantly changing environment. The Council has continued to make good progress in delivering the 15 commitments within the Staff Charter, which details the expectations of staff and managers in a “reshaped” working environment.

During 2019/20 the Core Competency Framework was launched for all staff and the Management Competency Framework for all Managers and Leaders, linked to the annual #Itsaboutme process and providing a framework around behavioural expectations. The #Itsaboutme process also moved online for staff with IT access, allowing for easier reporting and monitoring.

In line with the Management Competency Framework the bi-annual Management Development Sessions for Chief Officers and all managers continue to be delivered.

In 2019/20 the onboarding and induction process has been enhanced, engaging with new staff from the time they sign contracts, ensuring a more robust and shorter time to competency. The ongoing development of the online learning catalogue provides all staff with the opportunity to take charge of their development.

One of the Council’s key strengths has been the ability to explore opportunities to work in partnership with others and the Council has developed a robust approach to collaborative working. In addition, Cabinet receives a quarterly report providing an update on progress being made with strategic collaborative working initiatives. The Council continues to work proactively with a range of partners to transform how services will be delivered as well as considering new and innovative models of delivery in line with the Council’s Reshaping agenda.

The Council has developed and implemented a protocol for managing information and the interface between Cabinet and Scrutiny.

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

The Council, which has overall responsibility for directing and controlling the organisation, has approved an Executive / Scrutiny model of decision making. Full Council sets the policy and budget framework. Within this framework, the majority of key decisions are made by the Cabinet (as Executive). Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act). The decision-making process is scrutinised by five Scrutiny Committees, which support the work of the Cabinet as Executive and the Council as a whole.

Risk management is an important feature of the Council's governance arrangements and it is recognised that successful risk management relies on a corporate approach to ensure that all risks are identified and managed systematically and consistently across the Council. The Risk Management Strategy sets out the approach to the identification of and responses to strategic and operational risks. The Council's Risk Management Strategy also provides essential input to the determination of Council priorities, targets and objectives. The Risk Management Strategy was last presented to the Council's Audit Committee on 1<sup>st</sup> May 2018 but will be refreshed during 2020 to reflect the new Corporate Plan 2020/25.

The Council has a well-established risk management process in place for corporate and service risks. This has been further enhanced by the Council's focused corporate approach to integrated planning via the Insight Board and revised corporate performance reporting arrangements. The Insight Board provides a strategic focus for the delivery of the Council's Corporate Plan and the Well-being of Future Generations Act, ensuring that the seven well-being goals and our five ways of working are grounded in our robust corporate governance and providing an integrated approach to corporate planning. The Council has continued to hone its approach to corporate risk management using a reporting format which reflects the different needs of the various audiences. This provides a holistic overview of all risks to enable the identification of any trends or themes within the risks impacting on the Council, as well as the robust management of individual risks by risk owners, the Insight Board and Audit Committee.

A more recent development with Corporate Risk Management has been the horizon scanning of emerging risks which are outlined within the Corporate Risk Summary Report. This supports the role of the Insight Board, Corporate Management Team, Cabinet and Audit Committee by providing them with an overview of any issues associated with emerging risks and provides an opportunity to scrutinise potential risks in greater detail.

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

In addition to this, the Corporate Risk Summary Report also highlights a small number of risks on the register each quarter where a more detailed brief of the issues are highlighted. This gives both officers and Members a spotlight for discussion where issues surrounding those risks can prompt more detailed scrutiny and analysis and enable the identification of any further action where required. The monitoring of service risks identified through our service planning process continue to be monitored quarterly to enable risk owners to reduce, eliminate and manage their service risks.

The Council has put in place robust performance management arrangements, to monitor the Corporate Plan 2016/20. Currently, reports are presented in a focused and accessible way that highlights performance by areas of exception thus promoting more effective scrutiny. During 2019/20 there has also been a greater emphasis on strengthening our performance reporting arrangements by further developing our partnering approach to enhance performance accountability in service areas to ensure success.

During 2019/20 work also commenced on developing a new approach to monitoring and reporting performance against the new Corporate Plan 2020-25 to provide a reflection of the holistic and cross-cutting nature of the plan and a strong evidence base for how we are contributing to the new wellbeing objectives, the Plan's new priorities and the national Well-being Goals.

The new Corporate Plan and Annual Delivery Plan is intended to provide an opportunity to further enhance the scrutiny function. For example, alternative forms of scrutiny and a focus on case studies and cross-cutting themes will be developed during the course of the first year of the Plan. This will take forward the work already underway in response to the report from the Wales Audit Office which identified areas for development for the Council in relation to the Scrutiny function. An action plan has been devised and agreed by the Cabinet and the Scrutiny Committee - Corporate Performance and Resources with work now being undertaken to address the issues and ongoing monitoring taking place

Working with Sponsoring Directors and Elected Members via a member led working group a new style of performance reporting was developed. It is anticipated that this new style of reporting aligned to the Corporate Plan 2020/25 will be presented for use during 2020.

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

The Head of Finance / Section 151 Officer is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to Cabinet and the Council on all financial matters. The Council's system of internal financial control is based on a framework of financial / contract procedure rules and notes, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation of accountability.

The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. Through the Council's focus on integrated planning it has been able to take a more holistic approach to corporate planning arrangements that include risk management, financial and asset management, workforce planning, performance management and information management. As a consequence, corporate arrangements are now better co-ordinated and complementary to each other which puts the Council in a stronger position to secure continuous improvement. The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control.

The Council's Medium-Term Financial Plan clearly links to the priorities outlined in the Corporate Plan to ensure they are financially viable and that the MTFP is closely aligned with the business planning cycle.

The Council has a proactive, holistic approach to tackling fraud, bribery, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. A new policy was agreed during 2018/2019. The Council has been successful in investigating matches arising from the National Fraud Initiative.

**Principle G –  
Implementing  
good practices in  
transparency,  
reporting, and  
audit, to deliver  
effective  
accountability**

The Council remains committed to implementing good practices in transparency, reporting and audit to deliver effective accountability. This is demonstrated by:

- Mechanisms which are in place for reporting progress against key regulatory recommendations / improvement proposals via the Insight Board, Audit Committee, all Scrutiny committees and Cabinet.
- All Committees have clear Terms of Reference and work programme;
- Procedures are in place for sign-off of Cabinet Reports ensuring legal and financial implications have been appropriately assessed and are consistent with corporate policy

The Council reports at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.

The Internal Audit Service is a key means of assurance. From 1 April 2019 the Council hosted an expanded Regional Internal Audit Shared Service (RIASS) partnering with Bridgend, Rhondda Cynon Taff and Merthyr Tydfil Councils. This has operated effectively throughout the year and the service operated to the Public Sector Internal Audit Standards (PSIAS). The Audit Committee approved the Internal Audit Charter for the Regional Internal Audit Shared Service in April 2019. The Audit Committee also approve the Internal Audit Annual Plan and receives progress updates at every Audit Committee.

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019-20 is:

***“Reasonable Assurance”***

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year and the contribution to the Audit Plan made by the SWAP Internal Audit Services, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

The recommendations made to improve the overall control environment have been accepted and are being/will be implemented.

**Principle G –  
Implementing  
good practices in  
transparency,  
reporting, and  
audit, to deliver  
effective  
accountability**

An issue for the Regional Internal Audit Shared Service has been the number of vacant posts carried by the Service. As a consequence, SWAP Internal Audit Services were commissioned to help address the shortfall and deliver elements of the Plan. The COVID 19 outbreak has had little impact on the delivery of the internal audit plan for 2019/20 as relevant testing in all but one review had been completed prior to the lockdown coming into force allowing final reports to be issued. The Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion.

A new staffing structure has been developed for the Service and it is planned to commence recruitment when the restrictions around the pandemic allow.

The Council responds to the findings and recommendations of Internal Audit, External Audit and other inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of effectiveness is informed by:

- ✓ The Annual Internal Audit Assurance opinion, as provided by the Regional Internal Audit Shared Service
- ✓ The Audit Committee provides the focus for reviewing the effectiveness of the system of internal control.
- ✓ The Cabinet (as Executive) is responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for the decisions and for initiating corrective action in relation to risk and internal control issues.
- ✓ The Scrutiny function which holds the Cabinet to account.

The Council's Senior Managers, together with Head Teachers and Chairs of Governors have completed assurance statements for each of their areas of control, acknowledging responsibility for risk management and internal control, and identifying any significant governance issues if appropriate.

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council.

The Standards Committee has monitored standards of conduct

During 2019/2020 the Council received 525 complaints, 68% of which were dealt with within corporate target timescales. The percentage of complaints being resolved at Stage 1 was 93.3% and 6.7% at Stage 2.

The Performance Framework has operated effectively during the year. Monitoring of key areas of performance has been regularly provided to Cabinet and Scrutiny.

**Review of Effectiveness**

In relation to Corporate Health, the Council continues to perform well in the context of supporting Council services in the delivery of the Corporate Plan Well-being Outcomes. The improved approach to Integrated Planning, via the established Insight Board, is enabling services to effectively deliver transformational change in line with the Reshaping Services agenda and the Council's duties under the Well-being of Future Generations Act. Integrated Planning enables the Council to take a more holistic approach to their corporate planning arrangements that include risk management, financial management, workforce planning, performance management and information management. The Council has developed a robust approach to collaborative working, has a successful track record of delivering a balance budget and generally performing well in performance indicators across all service areas.

During the latter part of 2019/20 an annual self-assessment of the Council's performance over the past year in delivering the Council's priorities relating to the Corporate Plan was undertaken as part of the Annual Report 2018/19. This Annual Report is a fundamental document and a key source of information supporting this Annual Governance Statement.

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. The Council introduced a strategy for transformational change called "Reshaping Services". Through effective management of the Council's Reshaping Services Programme, transformational change is being delivered in line with the Council's Corporate well-being outcomes and duties under the Well-being of Future Generations (Wales) Act 2015. In 2019/20, the Reshaping Services Programme had a total savings target of £2.56m of the total Council savings required of £3.02m. The Reshaping Services Programme forecast end of year position is that savings of £1.923m will be delivered which represents 75% of the Programme's target.

**Review of Effectiveness**

**Insight Board**

considers corporate priorities outlined in the Corporate Plan including:  
Financial Planning;  
Workforce planning,  
Partnership & collaborations;  
Communication;  
Risk and Asset Management, and  
Governance.

**Working Groups / Projects**

Staff Engagement Forum;  
Information Governance Group;  
Space Project;  
Income Generation;  
Digital Champions Programme;  
Housing Forums;

**Governance**

The Code of Corporate Governance has been updated to reflect the Delivering Good Governance in Local Government Framework 2016.

**Key Developments**

Implementation of the Management Competency Framework;  
Revised staff appraisal #itsaboutme;  
New report formats designed to make it easier to assess overall progress in each Well-being objective.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Council Tax, Treasury Management, Creditor Payments etc.) or generally in the reviews undertaken in respect of directorate systems.

**Review of Effectiveness**

The Council's External Auditors have advised that their work for the 2019/20 Financial Year is well on track and that they have completed the majority of their planning work and interim testing. This includes:

- A high level assurance of the financial systems and the wider control environment – this work is designed to detect any material risk to the accounts;
- Testing of the income and expenditure transactions made by the Council during 2019/20.

Whilst their work is continuing, to-date, there are no significant issues arising from their work.

In addition, the Managing Director, each of the Corporate Directors, the Monitoring Officer and the Council's Section 151 Officer have completed an Annual Assurance Statement for 2019/20, as have Head Teachers and Chairs of Governors. All their responses have been considered when forming the Head of Audit's annual opinion. Furthermore, the detailed Council's Annual Self-Assessment dated March 2019 has been a key reference document to support the assurance statement.

**Code of Corporate Governance (COCG)**

The Council's COCG has been reviewed, amended and approved to reflect the 2016 Governance Framework.

**Statement of Accounts 2018/19**

In September 2019, the Council's External Auditor (WAO) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection Letter.

**Internal Audit Opinion**

Based on the assurance, work undertaken by Internal Audit, the Head of Audit has provided an overall **reasonable assurance opinion** on the adequacy and effectiveness of the Council's control environment.

**Review of Effectiveness**

Of the 62 opinions given by Internal Audit during 2019/20:

- 49 (79%) have been closed with either substantial or reasonable assurance opinion levels.
- 13 (21%) of the assignments were given an opinion of limited assurance due to weaknesses in the internal control environment .

The areas where control issues were identified during the year have tended to relate to specific service areas rather than an across the board breakdown in controls. Areas that needed to be addressed included aspects of ICT business continuity and contract management in Building Services. The relevant managers have agreed with and are implementing the recommendations made to address the weaknesses identified. Internal Audit will follow up on these issues during 2020-21 to ensure that progress is being made.

The COVID 19 outbreak has had little impact on the delivery of the internal audit plan for 2019/20 as relevant testing in all but one review had been completed prior to the lockdown coming into force allowing final reports to be issued.

As well as financial work, the WAO also completed performance audits on various services of the Council. These provide useful and timely feedback to the Council through which an action plan is agreed with the WAO for any matters to be addressed.

The Head of Audit's annual opinion report will be presented to the Council's next planned Audit Committee.

The Head of Audit provided an overall opinion of "**Reasonable Assurance**" on the Council's **internal control environment** based on the work undertaken during the year by Internal Audit.

In addition, by considering other sources of assurance e.g. the responses to the Annual Assurance Statements completed by Corporate Management Team for 2019/20, the Annual Assurance Statements completed by Head Teachers and Chairs of Governors and the detail as contained within the Council's Annual Self-Assessment. the Head of Audit provided an opinion of "**Reasonable Assurance**" on the adequacy and effectiveness of the Council's framework of **governance, risk management and control**.

**Significant  
Governance  
Issues**

COVID 19. The initial impact of the COVID 19 pandemic is detailed elsewhere in this statement. The Council has worked hard to ensure that services to the most vulnerable have continued. Decisions have had to be made quickly. Whilst the government has agreed for this period, they will need to be reviewed as the Council continues to manage this emergency. From a financial perspective, whilst funding has been agreed by Welsh Government to support the Authority, it is anticipated that the funding streams will continue throughout 2020/21 and beyond. The funding streams agreed for the first months of 2020/21 and work will be done within the Council to determine what remains an area of risk for the Authority.

One of the main issues raised and highlighted over the last few years has been the Council's ability to carry on meeting its service objectives and delivering positive outcomes for residents and clients in the light of continued reductions in Welsh Government funding. The Council has faced unprecedented challenges due to year on year reductions in Council income and the demands on the services delivered. At the same time the Council is dealing with increased demands on services. The Council has already identified approaches to address these challenges in 2010 yet, the challenges continue. The settlement for the Council for 2020/21, which has been the first year of growth for a number of years. This year's budget that started to address some of the significant funding deficits reported in the last reporting. The efficiency requirements for 2020/21 are only £247,000. The pandemic will impact on the Council's financial position during 2020/21 and will be monitored very closely.

The Council underwent a period of political change at the end of 2019. A change in overall administration. A new Leader and Cabinet was put in place in May 2019 and the AGM did not take place in May 2020 due to COVID 19.

**Approval of the  
Annual  
Governance  
Statement  
2019-20**

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet local people’s needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.

From the review, assessment and on-going monitoring work undertaken we have reached the opinion that reasonable assurance can be given that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We can confirm to the best of our knowledge and belief, this statement provides an accurate and fair view.

D.R. Thomas  
*Managing Director*

Date:

N. Moore  
*Leader of the Council*

Date:

# Audit of Accounts Report - Vale of Glamorgan Council

Audit year: 2019-20

Date issued: September 2020

Document reference: 2037A2020-21

## **Purpose of this document**

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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

# Contents

We intend to issue an unqualified audit report on your Accounts.

We are unable to issue an audit certificate at this stage due to a number of issues raised by local government electors that remain outstanding.

There are some issues to report to you prior to the approval of the accounts.

## **Audit of Accounts Report**

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Head of Finance.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £3.877m for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for the following areas:
  - Related Party Transactions; and
  - Remuneration Report
- 6 We have now substantially completed this year's audit although the following audit work is outstanding:
  - Completion of our income and expenditure transaction testing;
  - Some accounts receivable and accounts payable testing;
  - Review of a small number of other disclosure notes;
  - Completion of our work on related party transactions; and
  - Completion of our audit quality review processes.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this Year's Audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

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

|                              |  |
|------------------------------|--|
| <b>Timetable</b>             | <ul style="list-style-type: none"><li>• The timescale for completing your accounts was revised by the Welsh Government from 15 June 2020 to 31 August 2020.</li><li>• We received the draft accounts on 30 June 2020.</li><li>• Our timescale for completing our audit was changed from 15 September 2020 to 30 November 2020.</li><li>• We expect your audit report to be signed on 8 October.</li></ul> <p>As stated previously, officers should be commended for the timely completion of the draft financial statements.</p>   |
| <b>Electronic signatures</b> | <p>As a result of the pandemic the use of electronic signatures are permissible for both the Council and Audit Wales.</p>  |
| <b>Audit evidence</b>        | <p>The audit of the financial statements was undertaken remotely. Despite the challenging circumstances Council officers effectively supported us in this by continuing to provide us with appropriate and timely information to inform our audit. Specifically:</p> <ul style="list-style-type: none"><li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li><li>• officers provided audit evidence to the audit team via e-mail or a shared folder accessible to both Council and Audit Wales staff; and</li><li>• officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence.</li></ul> |

- 10 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed Audit Opinion

- 11 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 12 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

- 14 Our proposed audit report is set out in **Appendix 2**. Whilst our audit opinion is unqualified, we have included an Emphasis of Matter paragraph as per ISA (UK) 706 within our Auditor's Report. This is in relation to material valuation uncertainty regarding two areas of the accounts:
- Property, Plant & Equipment: your external valuer has expressed material valuation uncertainty concerning the 2019-20 land and building valuations; and
  - Valuation of pension fund assets: material valuation uncertainty exists in respect of the Council's share of the pooled property investments within the Cardiff and Vale pension fund.
- 15 Both issues are as a result of the Covid-19 pandemic and are impacting on many other organisations this year.

## Completion of the audit of the 2019-20 financial statements

- 16 On 8th October 2020, the Appointed Auditor intends to provide an opinion on the 2019-20 financial statements. However, at the time of providing his opinion, he is unlikely to be able to certify the completion of the audit due to a number of issues raised by local government electors which remain outstanding at that date. Whilst we need to review the matters further, we are satisfied that these matters do not have a material effect on the financial statements.
- 17 Looking forward, following the conclusion of the above issues, the 2019-20 financial statements will need to be re-approved by the Council. As soon as this is completed, our intention would be to re-issue our opinion on the 2019-20 financial statements coupled with the certificate to close the audit.
- 18 Reference to this issue has been incorporated into our audit report in Appendix 2.

## Significant Issues arising from the Audit

### Uncorrected misstatements

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

### Corrected misstatements

- 20 There were some misstatements in the accounts that have now been corrected by management. None of these misstatements were material and they are summarised, for information, in **Appendix 3**.

## Other Significant Issues arising from the Audit

- 21 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were **no** issues arising this year.

## Recommendation

- 22 There is one recommendation arising from our audit are set out in **Appendix 4**. Management has responded and we will follow up progress during next year's audit. Where any action is outstanding, we will continue to monitor progress and report it to you in next year's report.

# Appendix 1

## Final Letter of Representation

*Audited body's letterhead*

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

5 October 2020

## Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of the Vale of Glamorgan Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

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

### Financial statement representations

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

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

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

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

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

The financial statements are free of material misstatements, including omissions.

## Representations by the Vale of Glamorgan Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 5 October 2020.

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

Signed by:

*Officer who signs on behalf of management*

Date: 5 October 2020

Signed by:

*Member who signs on behalf of those charged with governance*

Date: 5 October 2020

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# Appendix 2

## Proposed Audit Report

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

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

##### Opinion

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Vale of Glamorgan Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### Basis for opinion

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

##### Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

I draw attention to Notes 4 and 15 to the financial statements, which describes a material valuation uncertainty clause in the valuation report on certain property items arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of this matter.

### **Emphasis of Matter – effects of Covid-19 on the valuation of pension fund assets**

I draw attention to Note 37 to the financial statements, which describes a material valuation uncertainty in respect of pooled property investments within the pension fund as a result of the Covid-19 pandemic. My opinion is not modified in respect of this matter.

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

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

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

### **Other information**

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

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

### **Report on other requirements**

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

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

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

financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

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

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

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

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

I have carried out the audit of the accounts of the Vale of Glamorgan Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by two local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

### **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, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK)

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Adrian Crompton  
Auditor General for Wales  
8 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

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# Appendix 3

## Summary of Corrections Made

Some adjustments have been made to the Financial Statements as a result of our audit. These have been corrected by management. A summary of the most significant corrections made are summarised below.

### Exhibit 2: summary of corrections made

| Value of correction | Nature of correction  |
|---------------------|---|
| £1,370,000          | <b>Joint Committee Elimination error</b><br>A consolidation error was identified in regard to the Central South Consortium Joint Committee, whereby income and expenditure were both overstated by £1,370k. The correction of this error therefore has a neutral impact on the financial statements.  |
| £826,000            | <b>Classification Error – Debtors</b><br>£826,000 within Short Term Debtors was incorrectly classified. This has now been correctly re-presented as a long-term debtor within the financial statements.   |
| Various             | <b>IAS19 (Employee Benefits) Accounting Entries</b><br>As a result of our audit, some adjustments have been made in regard to how the Council has accounted for IAS19, as follows: <ul style="list-style-type: none"><li>• The pension fund actuary calculated a gain on settlement of £2.07m relating to the transfer of staff to the authority's new catering company on 1st October 2019. The Code states that any gain or loss on settlement should be recognised in service cost in the CIES, however the gain on settlement was recognised in Other Comprehensive Income.</li><li>• The IAS19 adjustments relating to Stanwell School were not recognised within the appropriate line of the CIES.</li><li>• The reversal of the 2018-19 adjustments in regard to McCloud was incorrectly included in the 'Remeasurements of the net defined benefit liability/(asset)' line in the CIES. This has been corrected so that the reversal is now recognised within Cost of Services.</li></ul> |
| N/A                 | <b>Pension fund asset valuation uncertainty</b><br>Additional narrative has been added to Note 37 (Pension Assets and Liabilities) to explain the material valuation uncertainty, as a result of Covid-   |

|            |  |
|------------|--|
|            | 19, concerning the Council's share of pooled property investments within the Cardiff and Vale of Glamorgan Pension Fund.   |
| £256,000   | <p><b>Overstated capital grant income</b></p> <p>Capital grants and Contributions within the CIES was found to be overstated by £256,000.</p>  |
| £1,609,000 | <p><b>Capital Commitments</b></p> <p>The disclosure within Note 15 regarding the Council's contractual capital commitments was overstated by £1,609,000.</p>   |
| N/A        | <p><b>Other Narrative Amendments</b></p> <p>A number of other narrative and disclosure adjustments have been made to the financial statements, including:</p> <ul style="list-style-type: none"> <li>• Annual Governance Statement – additional narrative has been included upon some Internal Audit findings and the impact of the Covid-19 pandemic on the Council's control arrangements;</li> <li>• Note 15 (Property Plant and Equipment) - additional narrative has been included to refer to the material valuation uncertainty expressed by the Council's valuers as a result of Covid-19; and</li> <li>• Note 37 (Pension Assets and Liabilities) – additional disclosures have been included within the note in accordance with the requirements of the Code;</li> </ul> |

# Appendix 4

## Recommendation

There is one recommendation arising from our audit. Management have responded and we will follow up progress next year and include any outstanding issues in next year's audit report:

### Exhibit 3: Recommendation

| <b>Matter arising – Evidence to support the Related Party Transaction disclosures</b> |   |
|---|---|
| <b>Findings</b>   | <p>Per the requirements of the CIPFA Code, related party transactions disclosures within the Accounts must include any transactions between members of the Council and other entities that are either controlled by Members or where Members have significant influence. These requirements also extend to their close family members.</p> <p>The Council's Constitution also includes a specific reference that members have a responsibility to register any interests of this nature.</p> <p>However, whilst the Council routinely obtain and update Member's declarations of interests, Members are not explicitly asked within the return to provide details about any such close family members' interests.</p> <p>Although no evidence of non-disclosure was identified there is a risk that the requirements of the Code are not fulfilled and that the related party transaction disclosures within the accounts are incomplete.</p> |
| <b>Priority</b>   | High  |
| <b>Recommendation</b>   | To demonstrate compliance with the requirements of the Code and to ensure the completeness of the Related Party Transactions disclosures within the Annual Accounts, the register of interests return completed by Members should explicitly ask Members to disclose the nature of any entities that are controlled by close family members.  |
| <b>Accepted in full by management</b>   | Yes   |

|                                   |  |
|-----------------------------------|--|
| <p><b>Management response</b></p> | <p>Members are provided with training in respect of the relevance of para 18.3.1(b)(ii) of the Council's Constitution which relates to the Members' Code of Conduct</p> <p>However specific reference is being added to the Members' declaration of interest form and a footnote regarding para 18.3.1(b)(ii) is being added to the Register of Members' Interest Form (and Changes to the Register of Members' Interest Form) to remind Members when declaring interests at Meetings that 18.3.1(b)(ii) applies in addition to the requirements of para 18.3.1(b)(i);</p> |
| <p><b>Implementation date</b></p> | <p>This is to be commenced after the AGM on 14<sup>th</sup> September 2020</p>   |

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