



Wrexham County Borough Council

Statement of Accounts
for the financial year
ended 31 March 2019

M S Owen

Chief Officer Finance & ICT

CONTENTS

	PAGE
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	7
Expenditure and Funding Analysis and note	8
Financial Statements	
Comprehensive Income and Expenditure Statement	10
Movement in Reserves Statement	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Accounts (including Accounting Policies)	14
Housing Revenue Account and Notes	61
Independent Auditor's Report	65
Annual Governance Statement	67

1. Introduction

1.1 This Narrative report provides a summary of the Council's financial performance, its financial position and key issues affecting the Council and its Statement of Accounts. The Accounts and Audit (Wales) Regulations 2018 requires the Council to produce a Statement of Accounts for each financial year. The Statements that follow this narrative report are as follows:

- **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Council and the Chief Officer Finance & ICT.
- **Expenditure and Funding Analysis shows** the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. Councils raise council tax to cover expenditure in accordance with regulations; this may be different from the accounting cost. The council tax position is shown in the Movement in Reserves statement;
- **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves;
- **Balance Sheet** which sets out the financial position of the Council at 31 March 2019;
- **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the financial year;
- **Notes to the Accounts including the Council's Accounting Policies**
- **Housing Revenue Account (HRA) and notes** show, in more detail, the income and expenditure on HRA services included in the Comprehensive Income and Expenditure Account.
- **Independent Auditor's Report** gives the auditors opinion of the financial statements.

2. The Council's Corporate Aims and Objectives

2.1 The Council Plan is the overarching plan that helps the Council to focus its resources and drive improvement. Whilst the Council plan sets a vision and framework for a five year period, it is also updated in May each year with targets and actions for the next twelve months. In October each year the Council publishes its annual performance evaluation report – 'Focused On Our Performance'. This sets out the progress that the Council has made towards its objectives, whether this has had the desired impact and what outstanding issues remain. The 2017/18 report is available at <http://www.wrexham.gov.uk/assets/pdfs/councilplan/performance.pdf>

2.2 Key performance information for 2018/19 which is currently available includes:

- **Economy theme:** Digital counters in the town centre are giving us a clearer understanding of footfall in the town centre and have shown increases of up to 33% on the same quarter last year during the year; Welsh Government data shows that the number of recorded businesses in the County Borough has increased from 8,910 in 2017/18 to 11,095 in 2018/19.
- **People theme:** Educational attainment is continuing to improve on the previous year at the Foundation Stage, Key Stage 2 and Key Stage 3. Outcomes at GCSE have stabilised, but changes to the patterns and number of pupils sitting exams has had an impact on grades across Wales; more people are visiting local authority sports and leisure facilities and participating in physical activity - improving from 8,154 per 1,000 population in 2017/18 to 10,241 per 1,000 population in 2018/19;
- **Place theme:** The percentage of Council homes meeting the Welsh Housing Quality Standard continues to improve towards the target of 100% completion by December 2020; 35 empty properties have been brought back into use;
- **Organisation theme:** 49 services are now available to customers over the Council's on-line digital platform which has received 14,345 service requests during the past year.

3 Financial Performance

2018/19 Budget Process

3.1 When preparing the Council's Medium Term Financial Strategy (MTFS) the Council makes provisional spending plans for future financial years ensuring these are balanced against the expected funding from Welsh Government and Council Tax payers. The MTFS is a three year incremental process that builds on the work and achievements of previous years, taking into account demographic, legislative and other pressures; mitigated by savings proposals to ensure a balanced budget can be achieved in the coming year.

- 3.2 The Council's MTFs for the period 2017/18 to 2019/20 highlighted the need for savings proposals of approximately £13m to address the budget shortfall over the two year period 2018/19 to 2019/20, of which £6.2m related to the 2018/19 financial year. During October and November 2017 the Council consulted on a package of savings amounting to £9m for the two year period.
- 3.3 On 21 February 2018, following recommendation by the Executive Board, the Council approved a budget totalling £232m for the 2018/19 financial year. At that meeting the Council also approved an updated MTFs for the period 2018/19 to 2020/21 and the Treasury Management Strategy Statement and Investment Strategy for 2018/19. The Housing Revenue Account budget and both the Non HRA and HRA Capital Programmes were approved by the Executive Board on 13 February 2018.

Projected Level of Balances

- 3.4 One significant issue, both in relation to the MTFs and also the 2018/19 budget, was the assumption about the level of balances that the Council would require to address any unexpected spending pressures. These balances need to reflect spending experience and risks to which the Council might be exposed. At the 21 February 2018 meeting the Council approved the Council's Reserve Strategy and the recommended General Fund balance of £7.018m and a minimum HRA balance of £5m for 2018/19.

Budget Monitoring

- 3.5 The Council has well established and robust financial management procedures in place to monitor budgets and mitigate any forecast overspending. This has been very successful in acting as an early warning that any approved budget savings are at risk of not being delivered. Revenue budget information, together with progress against planned savings is provided to all members bi monthly and considered by the Customer Performance, Governance and Resources Scrutiny Committee following five, eight and twelve months of the year. The revenue budget information, together with the management of the risks identified as part of the budget setting process, is reported to Council following six months of the year. The Executive Board considers the final revenue outturn and approves the carry forward arrangements in respect of reserves and balances. This process facilitates a good level of challenge, including reviewing any potential impacts on service performance.
- 3.6 The first monitoring report of the financial year to members highlighted a potential overspend for the Environment and Planning department of £1.1m, primarily due to higher waste collection costs (£966k) and lower car park income than the budget target (£165k) and an overspend of £239k for Children's Social Care due to higher out of county and leaving care placements. Following eight months of the year the Children's Social Care potential overspend had increased to £897k.

Revenue Outturn for 2018/19

- 3.7 The Council's 2018/19 revenue outturn position is shown in a table on page 4. Council Fund services (excluding HRA) spent £232,704k against a budget of £232,872k i.e. an underspend of £168k (line 2, column c). The net yield from council tax was £130k (line 3, column c) greater than expected for the 2018/19 financial year, thus resulting in an overall Council Fund surplus of £298k. Schools overspent by £191k (line 1, column c). The overspend in Environment & Planning of £877k was primarily due to the Waste service operating increased recycling vehicles and staff with a reduced Welsh Government grant. The overspend in Children's Social Care (£769k) was due to increased out of county placements and leaving care costs. The underspend in Corporate & Central - Services of £1,478k was primarily due to lower Council Tax Reduction scheme (CTRS), Carbon costs and a Vat refund and the underspend in Corporate & Central – Financing & Investment Income & Expenditure of £264k was due to lower capital financing costs.
- 3.8 The Council monitors expenditure (which includes planned contributions to and from service, earmarked and grant reserves) against its budget for the year, based on its internal management and departmental structure. The expenditure and council tax income monitored during the year includes the cost of the CTRS but excludes payments and council tax raised in respect of the Police and Crime Commissioner for North Wales and Community Councils precepts. Adjusting for the service, earmarked and grant reserves utilised by services during the year of £347k (line 2, column d) and the CTRS and Police and Community Council precepts of £6,337k (see column e) we arrive at the total expenditure and income chargeable to General Fund Balances (including Earmarked Reserves) of £239,388k (line 2, column f) and £239,339k (line 3, column f) respectively i.e. a reported overall deficit of £49k (line 4, column f).

NARRATIVE REPORT

- 3.9 The HRA is reported separately during the financial year and is consolidated as part of the production of the year-end accounts. HRA expenditure exceeded income by £6k (see line 5, column f) thus reducing HRA balances by £6k. The overall net expenditure (including the HRA) becomes £239,394k (line 6, column f), leaving an overall deficit of £55k (line 8, column f).

	2018/19	Adjust for					Net Expenditure Chargeable to the General Fund and HRA Balances £'000 f=b+d+e
		Budget £'000 a	Actual Outturn £'000 b	Variance £'000 c	Reserves Utilised In Year £'000 d	Police & Community Precepts & CTRS £'000 e	
	Council Fund Services						
	Environment & Planning	33,853	34,730	877	(69)	0	34,661
	Housing & Economy	6,701	6,699	(2)	(356)	0	6,343
	Adult Social Care	41,919	41,898	(21)	(222)	0	41,676
	Children's Social Care	15,012	15,781	769	858	0	16,639
	Education	5,651	5,779	128	90	0	5,869
1	Schools	80,706	80,897	191	4	0	80,901
	Corporate & Customer Services	7,994	7,906	(88)	42	0	7,948
	Finance	5,030	4,752	(278)	146	0	4,898
	Repairs & Maintenance	1,905	1,903	(2)	90	0	1,993
	Corporate & Central - Services	18,944	17,466	(1,478)	(237)	(9,932)	7,297
	Net Service Expenditure	217,715	217,811	96	346	(9,932)	208,225
	Corporate & Central:						
	Other Operating Expenditure	6,655	6,655	0	0	16,269	22,924
	Financing & Investment Income & Expenditure	8,502	8,238	(264)	1	0	8,239
2	Total Council Fund Services Net Expenditure	232,872	232,704	(168)	347	6,337	239,388
	Financed by:						
	Government Grants	(174,636)	(174,636)	0	0	0	(174,636)
	Council Tax	(58,236)	(58,366)	(130)	0	(6,337)	(64,703)
3	Total Council Fund Income	(232,872)	(233,002)	(130)	0	(6,337)	(239,339)
4	Council Fund Reported (Surplus) / Deficit	(0)	(298)	(298)	347	0	49
	HRA						
	Expenditure	52,374	52,349	(25)	0	0	52,349
	Income	(52,364)	(52,343)	21	0	0	(52,343)
5	Net Expenditure Reported	10	6	(4)	0	0	6
6	Total Net Expenditure (including HRA)	232,882	232,710	(172)	347	6,337	239,394
7	Taxation and Non Specific Grant Income	(232,872)	(233,002)	(130)	0	(6,337)	(239,339)
8	Overall (Surplus) / Deficit	10	(292)	(302)	347	0	55

* The Council Tax Reduction Scheme (CTRS) is included as an expense and the council tax collected is gross of CTRS in the actual outturn. An adjustment is made to show council tax collected net of CTRS (£9,932k) and gross of community and police precepts (£16,269k) in the Comprehensive Income and Expenditure Account.

4 Financial Position at 31 March 2019

- 4.1 The Council has made provision for known liabilities and established reserves for future liabilities or earmarked for future service developments. Provisions are amounts included in the accounts as liabilities where there has been a past event which is likely to result in a financial liability, but where there is uncertainty over timing and precise value of the liability that has been incurred. It is, therefore, the Council's best estimate of the financial liability as at 31 March 2019. Provisions are disclosed in note 33 Notes to the Accounts.
- 4.2 Reserves are amounts set aside in the accounts for purposes falling outside the definition of provisions. The information regarding reserves is disclosed in the Movement in Reserves Statement on page 11 and in

NARRATIVE REPORT

note 5 Notes to the Accounts. The Council's General Fund balance is a measure of the uncommitted reserves which the Council holds, to meet cash flow requirements and unforeseen future events. The General Fund balance, which was £7.018m at the start of the financial year, totalled £7.018m at 31 March 2019 (see Movement in Reserves Statement on page 11).

5. Capital Investment

5.1 Capital investment (excluding capital accruals) in the year amounted to £58m. The following tables give an analysis of this expenditure and the way it was financed:

Where the capital money was spent	2018/19 £'000	%	Where the capital money came from	2018/19 £'000	%
School adaptations and improvements	5,657	9.75	Borrowing	29,990	51.70
Highway improvements	3,478	6.00	Capital Receipts	899	1.55
Economic Development and Planning	1,462	2.52	Grants & Contributions	18,563	32.00
Housing Renovation Grants/Renewal	1,934	3.33	Revenue	8,552	14.75
Council House improvements	42,234	72.81			
Other	3,239	5.59			
Total	58,004	100	Total	58,004	100

5.2 School adaptations and improvements include expenditure of £1,316k for Gwersyllt Primary School and £1,183k for Ysgol Morgan Llwyd as part of the 21st Century Schools Band A programme. Economic Development and Planning includes £851k for the new Arts Cultural Hub and Market space (Tŷ Pawb).

6 Borrowing

6.1 The Council's principal loan debt at 31 March 2019 was £365.8m. It is the Council's strategy to maintain the level of external borrowing in line with the Capital Financing Requirement. Three new Public Works Loan Board (PWLb) loans totalling £22.23m were taken out during the year.

7 Revaluation and Disposals of Non Current Assets

7.1 The Council has a rolling programme to revalue all assets within five years. During 2018/19 Markets, Shops and Social Care properties were revalued; the Heritage Assets were also appraised in this financial year. The programme for future years is as follows:

2019/20 – Schools, Youth Clubs and Waste Disposal PFI facility
2020/21 - Commercial Estates, Environmental and Leisure Properties and Council Dwellings
2021/22 - Housing & Public Protection Assets, Public Offices and Agricultural Estates

7.2 In addition to the rolling programme, an annual review is undertaken for impairment and significant changes in the use of property. During 2018/19, upward revaluations of £7,113k were made, £2,640k of which related to the rolling programme of asset revaluations. There were also downward revaluations / impairments to Council Dwellings of £3,559k, Other Land and Buildings of £7,497k (of which £742k related to the rolling programme of asset revaluations), Surplus Assets of £231k, Community Assets of £25k and Heritage Assets of £3k. Of the downward revaluations / impairments, £8,219k was recognised in the Surplus or Deficit on Provision of Services and £3,096k in the Revaluation Reserve.

7.3 During the year the Council sold Council Dwellings of £3,751k and other assets with a carrying value of £1,348k which included land at Aberderfyn Road, Ponciau (£45k), land at Gutter Hill, Rhosllanerchrugog (£96k), Rose Vale Holding, Bronington (£474k), Woodlands Farm, Bronington (£542k) and the site of the former Kingsley Circle Community Centre (£151k). The Council also transferred a parcel of land in Llay as part of its Affordable Housing agenda for nil value; this asset had a carrying value of £40k. The Council made a net profit of £132k.

8 Pension Liability

8.1 The Statement of Accounts, as presented, complies with the requirements of International Accounting Standard 19 (IAS 19), in that the Comprehensive Income and Expenditure Account reflects the current year

cost of pension provision to employees, as advised by the Council's actuary, Mercers. In addition, the Balance Sheet contains the actuary's assessment of the Council's share of the Pension Fund liability (£332m) as at 31 March 2019, and the reserve needed to fund that liability. The disclosed pension fund liability is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

9 Interest in Companies and Other Entities

- 9.1 Wrexham Commercial Services is a wholly owned subsidiary of the Council. The company has been established to trade in specified council services but initially in cleaning services. The Council has not prepared Group Accounts on the grounds that there would be no material difference to the Council's single entity accounts. A copy of Wrexham Commercial Services' audited financial statements for the twelve months to 31 March 2019 can be obtained from Council Offices, Ruthin Road, Wrexham LL13 7TU.

10 Changes to the Core Statements

- 10.1 There have been significant changes to the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) following the adoption of International Financial Reporting Standard (IFRS) 9 – Financial Instruments from 1 April 2018. The Code specifies how the Council should classify and measure financial assets and financial liabilities. As at 31 March 2018 the Council's borrowing included loans which had been modified following previous restructuring of the debt and were measured using the new effective interest rate. The new requirements of the Code has meant that the Council has had to recalculate the carrying amount of those loans as at 1 April 2018 using the original effective interest rate. The change in the measurement of these loans has resulted in a credit to the Comprehensive Income & Expenditure Statement (CI&ES) of £3.1m. The Code states that any difference between the previous carrying amount and the carrying amount at the beginning of the financial year should be recognised as an opening adjustment to reserves and that preceding year information should not be restated. This opening adjustment is presented in the Movement in Reserves Statement (see page 11). As the gain will effectively be eroded by subsequent increase in interest charges over the remainder of the loan period the credit has therefore been transferred to a Financial Instruments reserve as at 1 April 2018 – see notes 5 and 28 Notes to the Accounts.
- 10.2 A further change to the Code is the adoption of IFRS 15 – Revenue from Contracts with Customers. When applying IFRS 15 the Council recognises revenue to reflect the transfer of promised goods and services to a service recipient in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods and services. This change has had no material impact on the Council.
- 10.3 Changes in respect of both IFRS 9 and IFRS 15 are retrospective. There is no requirement to produce a Balance Sheet at 1 April 2017 as would normally be the case for a substantial change in accounting policies. Similarly, 2017/18 comparative figures are not to be restated.

11 Financial Outlook for the Council

- 11.1 On 20 February 2019 the Council approved a Medium Term Financial Strategy which highlighted a potential revenue shortfall of approximately £10m for the period 2020/21 to 2021/22. The strategy can be accessed by the following link:
http://www.wrexham.gov.uk/top_navigation/search/index.htm?q=medium%20term%20financial%20strategy
- 11.2 It is clear that the financial outlook for the Council, in terms of Welsh Government funding and support for both Revenue and Capital expenditure, is likely to reduce in the medium term in line with the UK Government austerity measures. In addition to reductions in government funding, the Council also expects to see increasing demand for services. Population growth will put pressure on social care services and anticipated changes in Universal Credit will also affect the Council's finances together with more general economic changes brought about by Britain's planned exit from the European Union

12 Further Information

- 12.1 Further information about the accounts and budgets of the Council is available from the Chief Officer Finance & ICT, Wrexham County Borough Council, Lambpit Street, Wrexham. Members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website and in one conspicuous public place, as required by the Accounts and Audit (Wales) (Amendment) Regulations 2018. The Statement of Accounts will also be available on the Authority's website (www.wrexham.gov.uk).

M S Owen

Chief Officer Finance & ICT

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is required, under the Code, to include a Statement of Responsibilities in the Statement of Accounts which sets out the respective responsibilities of the Council, and the Chief Officer Finance & ICT in respect of these Accounts.

The Council's Responsibilities

The Council is required to make arrangements:

- for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Officer Finance & ICT;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

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Chair Audit Committee

The Responsibility of the Chief Officer Finance & ICT

The Chief Officer Finance & ICT is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

In preparing this Statement of Accounts, the Chief Officer Finance & ICT has:

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

The Chief Officer Finance & ICT has also:

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

Chief Officer Finance & ICT's Certificate

The Statement of Accounts has been prepared in accordance with the Code and gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

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M S Owen CPFA

Chief Officer Finance & ICT

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

2017/18			2018/19			
Net Expenditure Chargeable to General Fund and HRA Balances £'000	Adjustments between Funding and Accounting basis £'000	Net Expenditure in the Comprehensive Income & Statement* £'000		Net Expenditure Chargeable to General Fund and HRA Balances £'000	Adjustments between Funding and Accounting basis £'000	Net Expenditure in the Comprehensive Income & Statement* £'000
32,826	1,744	34,570	Environment & Planning	34,661	1,745	36,406
6,540	3,227	9,767	Housing & Economy	6,343	2,905	9,248
971	(10,310)	(9,339)	Housing Revenue Account	6	(8,887)	(8,881)
38,396	1,080	39,476	Adult Social Care	41,676	213	41,889
15,042	319	15,361	Children's Social Care	16,639	167	16,806
5,117	6,030	11,147	Education	5,869	7,053	12,922
79,725	(6)	79,719	Schools	80,901	654	81,555
7,901	535	8,436	Corporate & Customer Services	7,948	370	8,318
4,925	171	5,096	Finance	4,898	108	5,006
2,035	(123)	1,912	Repair & Maintenance	1,993	0	1,993
7,279	(1,821)	5,458	Corporate & Central	7,297	8,273	15,570
200,757	846	201,603	Cost of Services	208,231	12,601	220,832
22,195	714	22,909	Other Operating Expenditure	22,924	647	23,571
8,210	16,788	24,998	Financing and Investment Income and Expenditure	8,239	17,313	25,552
(231,170)	(15,425)	(246,595)	Taxation and Non Specific Grant Income	(239,339)	(17,011)	(256,350)
(8)	2,923	2,915	(Surplus) / Deficit	55	13,550	13,605
(30,876)			Opening General Fund & HRA	(30,884)		
			IFRS 9 Adjustment	(3,139)		
			General Fund & HRA balance at 1.4.18	(34,023)		
(8)			Add: (Surplus) / Deficit on General Fund and HRA Balance in Year	55		
(30,884)			Closing General Fund and HRA Balance at 31 March	(33,968)		
Analysed between General Fund and HRA Balances:						
General Fund £'000	HRA £'000	Total £'000		General Fund £'000	HRA # £'000	Total £'000
(24,875)	(6,001)	(30,876)	Opening General Fund & HRA Balance	(25,854)	(5,030)	(30,884)
			IFRS 9 Adjustment	(3,139)	0	(3,139)
			General Fund & HRA Balance at 1.4.18	(28,993)	(5,030)	(34,023)
(979)	971	(8)	Add: Surplus / (Deficit) on General Fund and HRA Balances in year	49	6	55
(25,854)	(5,030)	(30,884)	Closing General Fund and HRA Balance at 31 March	(28,944)	(5,024)	(33,968)

* Income and Expenditure recognised in accordance with generally accepted accounting practices can be seen in the Comprehensive Income and Expenditure Statement on page 10.

An analysis of the movements on the HRA balance may be found in the Movement on the Housing Revenue Account Statement on page 61.

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CI&ES). The relevant transfers between reserves are explained in the Movement in Reserves Statement on page 11.

Adjustment from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19					2017/18				
	Adjustment for Capital Purposes	Net change for Pension Adjustments	Other Differences Statutory	Other Non Statutory	Total Adjustments	Adjustment for Capital Purposes	Net change for Pension Adjustments	Other Differences Statutory	Other Non Statutory	Total Adjustments
	(Note a) £'000	(Note b) £'000	(Note c) £'000	(Note d) £'000	£'000	(Note a) £'000	(Note b) £'000	(Note c) £'000	(Note d) £'000	£'000
Environment & Planning	1,327	202	216	0	1,745	1,464	346	(66)	0	1,744
Housing & Economy	2,647	162	96	0	2,905	2,909	260	58	0	3,227
Housing Revenue Account	(8,567)	277	(8)	(589)	(8,887)	(10,612)	278	24	0	(10,310)
Adult Social Care	13	221	11	(32)	213	661	423	(4)	0	1,080
Children's Social Care	59	109	(1)	0	167	35	273	11	0	319
Education	6,851	200	2	0	7,053	5,851	237	(58)	0	6,030
Schools	(74)	311	417	0	654	(81)	699	(624)	0	(6)
Corporate & Customer Services	253	98	19	0	370	339	201	(5)	0	535
Finance	0	102	6	0	108	0	173	(2)	0	171
Repair & Maintenance	0	0	0	0	0	(124)	0	1	0	(123)
Corporate & Central - Services #	563	7,988	(264)	(14)	8,273	309	(2,129)	(1)	0	(1,821)
Cost of Services	3,072	9,670	494	(635)	12,601	751	761	(666)	0	846
Other Operating Expenditure	(132)	779	0	0	647	(32)	746	0	0	714
Financing and Investment I&E	10,027	6,830	(179)	635	17,313	9,821	7,100	(133)	0	16,788
Taxation and Non Specific Grant Income	(17,011)	0	0	0	(17,011)	(15,425)	0	0	0	(15,425)
GF or HRA Balance (Surplus) / Deficit	(4,044)	17,279	315	0	13,550	(4,885)	8,607	(799)	0	2,923

a) Adjustments for Capital Purposes

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

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

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

- (i) For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service / curtailment costs
- # For the 2018/19 financial year past service cost includes an estimate of the impact of the McCloud judgement (£9,869k) on the Council's share of the Pension liability - see note 37 Notes to the Accounts
- (ii) For Other Operating Expenditure - this adjustment is for pensions administration costs
- (iii) For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the CI&ES.

c) Other Differences - statutory

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

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

d) Other Differences - non statutory

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the CI&ES:

- (i) For Financing and Investment Income and Expenditure the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income, brokers fees and impairment losses/gains i.e. IFRS 9 transactions. For 2017/18 these transactions would be included in services.

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT 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 and rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The service analysis provides the total direct costs of providing the services.

2017/18			Notes	2018/19		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
47,154	(12,584)	34,570		47,546	(11,140)	36,406
63,359	(53,592)	9,767		59,075	(49,827)	9,248
41,770	(51,109)	(9,339)		44,629	(53,510)	(8,881)
51,966	(12,490)	39,476		55,293	(13,404)	41,889
22,326	(6,965)	15,361		22,988	(6,182)	16,806
18,342	(7,195)	11,147		19,946	(7,024)	12,922
91,354	(11,635)	79,719		93,768	(12,213)	81,555
9,571	(1,135)	8,436		9,241	(923)	8,318
6,370	(1,274)	5,096		6,363	(1,357)	5,006
1,912	0	1,912		1,999	(6)	1,993
11,148	(5,690)	5,458		21,264	(5,694)	15,570
365,272	(163,669)	201,603		382,112	(161,280)	220,832
22,909	0	22,909	6	23,571	0	23,571
38,864	(13,866)	24,998	7	40,279	(14,727)	25,552
0	(246,595)	(246,595)	8	0	(256,350)	(256,350)
427,045	(424,130)	2,915		445,962	(432,357)	13,605
		(5,656)	44			(3,932)
		1,962	44			2,166
		(43,498)	37,38 & 47			31,629
		<u>(47,192)</u>				<u>29,863</u>
		(44,277)				43,468

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves' (i.e. those that can be applied to fund expenditure) and other 'unusable reserves'. The movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The net increase / decrease line shows the statutory General Fund Balance and Housing Revenue Account (HRA) movements on the year following those adjustments.

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2017	24,875	6,001	11,935	744	43,555	327,842	371,397
<u>Movement in Reserves during 2017/18</u>							
Surplus / (Deficit) on the provision of services	(9,877)	6,962	0	0	(2,915)	0	(2,915)
Other Comprehensive Income and Expenditure	0	0	0	0	0	47,192	47,192
Total Comprehensive Income and Expenditure	(9,877)	6,962	0	0	(2,915)	47,192	44,277
Adjustments between accounting basis & funding basis under regulations (note 4)	10,856	(7,933)	1,147	(175)	3,895	(3,895)	0
Net Increase / (Decrease) in 2017/18	979	(971)	1,147	(175)	980	43,297	44,277
Balance at 31 March 2018	25,854	5,030	13,082	569	44,535	371,139	415,674
Analysed over:-							
Amounts earmarked (note 5)	18,836	0					
Amounts uncommitted	7,018	5,030					
Total Balance	25,854	5,030					
Balance at 1 April 2018	25,854	5,030	13,082	569	44,535	371,139	415,674
IFRS 9 Adjustment (note 28)	3,139	0	0	0	3,139	(609)	2,530
Restated at 1 April 2018	28,993	5,030	13,082	569	47,674	370,530	418,204
<u>Movement in Reserves during 2018/19</u>							
Surplus / (Deficit) on the provision of services	(18,829)	5,224	0	0	(13,605)	0	(13,605)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(29,863)	(29,863)
Total Comprehensive Income and Expenditure	(18,829)	5,224	0	0	(13,605)	(29,863)	(43,468)
Adjustments between accounting basis & funding basis under regulations (note 4)	18,780	(5,230)	4,364	2,017	19,931	(19,931)	0
Net Increase / (Decrease) in 2018/19	(49)	(6)	4,364	2,017	6,326	(49,794)	(43,468)
Balance at 31 March 2019	28,944	5,024	17,446	2,586	54,000	320,736	374,736
Analysed over:-							
Amounts earmarked (note 5)	21,926	0					
Amounts uncommitted	7,018	5,024					
Total Balance	28,944	5,024					

BALANCE SHEET

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018		Notes	31 March 2019
£'000			£'000
1,067,219	Property, Plant & Equipment	19	1,082,678
507	Heritage Assets	24	555
38	Intangible Assets		25
9,966	Long-term Debtors	29	667
1,077,730	Long Term Assets		1,083,925
2	Short-term Investments	28	15,293
1,144	Assets Held For Sale	27	1,163
614	Inventories		810
34,708	Short-term Debtors	29	36,319
316	Intangible Assets		189
7,444	Cash and Cash Equivalents	28	0
44,228	Current Assets		53,774
0	Bank Overdrawn	28	(4,432)
(17,292)	Short-term Creditors	31	(18,533)
(69,817)	Short-term Borrowing	28	(54,365)
(1,524)	Grants Receipts in Advance - Capital	54	(1,155)
(37)	Grants Receipts in Advance - Revenue	54	(64)
(1,146)	Provisions	33	(1,145)
(89,816)	Current Liabilities		(79,694)
(2,383)	Provisions	33	(2,330)
(6,575)	Long-term Creditors	31	(8,296)
(296,318)	Long-term Borrowing	28	(313,565)
(27,686)	Other Long-term Liabilities	35 & 36	(26,664)
(283,506)	Net Pension Liability	38	(332,414)
(616,468)	Long Term Liabilities		(683,269)
415,674	Net Assets		374,736
44,535	Usable Reserves	41	54,000
371,139	Unusable Reserves	42	320,736
415,674	Total Reserves		374,736

CASH FLOW STATEMENT

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

2017/18 £'000		Notes	2018/19 £'000
2,915	Net (surplus) / deficit on the provision of services	55	13,605
(24,136)	Adjustment to net surplus / deficit on the provision of services for non cash movements	49	(71,262)
16,790	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	50	22,201
<u>(4,431)</u>	Net cash flows from Operating Activities		<u>(35,456)</u>
43,298	Investing Activities	52	49,361
(43,525)	Financing Activities	53	(2,029)
<u>(4,658)</u>	Net increase or decrease in cash and cash equivalents		<u>11,876</u>
(2,786)	Cash and cash equivalents at the beginning of the reporting period		(7,444)
<u><u>(7,444)</u></u>	Cash and cash equivalents at the end of the reporting period	28	<u><u>4,432</u></u>

NOTES TO THE ACCOUNTS

1. Accounting Standards that have been issued but have not yet been adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (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 by the Code for the relevant financial year. This applies to the adoption of the following new or amended standards within the 2019/20 Code and require implementation from 1 April 2019:

IAS40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be classified as an investment property. It is unlikely that this will have an impact upon the financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. It is unlikely that this will have an impact upon the financial statements.

IFRS 9 Financial Instruments: prepayment features with negative compensation amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 58 Notes to the Accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- a) There is some uncertainty about future levels of funding from the Welsh Government and in particular the receipt of specific revenue and capital grants. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and significantly reduce levels of service provision. The Council has a Medium Term Financial Strategy which is reviewed on a periodic basis and is available on the Council's website.
- b) As at 31 March 2019 there is one outstanding claim for compensation from a landowner affected by a Welsh Government grant funded road scheme. No provision has been made for such payments as they would ordinarily be met by the Welsh Government as part of the scheme.
- c) A review of assets, in particular those held for economic development purposes, concluded that the Council has no assets which are held solely for the purpose of income generation or capital appreciation and therefore the Council has no investment properties.

3. Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.766m if the useful lives were reduced by one year and £1.72m if reduced by two years.
PFI and Similar Arrangements	PFI and similar arrangements have been considered to have an implied finance lease within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.	A 1% increase in the RPI will increase the unitary payments over the next nineteen years by £25.4m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £16,126k. However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pensions liability had increased by £31,629k attributable to updating of the assumptions.
Impairment Allowance for doubtful debts	At 31 March 2019, the Council had a balance of sundry debtors of £4.3m. Against this debtors balance is an impairment loss of £159k. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £159k to be set aside as an allowance.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time it is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. The assumption made will need to be reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will vary.

NOTES TO THE ACCOUNTS

4. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2018/19	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the CI&ES</u>					
Charges for depreciation, impairment and revaluation losses of non current assets	18,440	16,628	0	0	(35,068)
Amortisation of intangible assets	13	0	0	0	(13)
Capital grants and contributions applied	(7,237)	(7,735)	0	0	14,972
Revenue expenditure funded from capital under statute	271	5	0	0	(276)
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CI&ES	1,349	3,751	0	0	(5,100)
<u>Insertion of items not debited or credited to the CI&ES</u>					
Statutory provision for the financing of capital investment (note 11)	(5,770)	(7,702)	0	0	13,472
Capital Expenditure charged against the General Fund and HRA balances	(952)	(7,600)	0	0	8,552
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CI&ES	(2,258)	0	0	2,258	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(241)	241
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CI&ES	(1,481)	(3,751)	5,232	0	0
Revenue Income defined as capital under statute	0	(15)	15	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(899)	0	899
Transfer (to) / from Capital Adjustment account - set aside:					
- Repayments of loans to voluntary bodies	0	0	16	0	(16)
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	0	0	0
Total Adjustments for Capital Purposes (see page 9)	2,375	(6,419)	4,364	2,017	(2,337)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CI&ES - see note 37 & 47	36,354	3,725	0	0	(40,079)
Employer's pension contributions payable in the year	(20,272)	(2,528)	0	0	22,800
Net Change for Pensions Adjustments (see page 9)	16,082	1,197	0	0	(17,279)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(178)	0	0	0	178
Adjustments involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	501	(8)	0	0	(493)
Total Other Differences (see page 9)	323	(8)	0	0	(315)
Total Adjustments	18,780	(5,230)	4,364	2,017	(19,931)

NOTES TO THE ACCOUNTS

4. Adjustments between Accounting Basis and Funding Basis Under Regulations cont'd

2017/18 Comparative figures	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the CI&ES</u>					
<u>Statement:</u>					
Charges for depreciation, impairment and revaluation losses of non current assets	17,904	17,102	0	0	(35,006)
Amortisation of intangible assets	13	0	0	0	(13)
Capital grants and contributions applied	(7,581)	(7,843)	0	0	15,424
Revenue expenditure funded from capital under statute	1,538	5	0	0	(1,543)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	517	2,291	0	0	(2,808)
Income in relation to donated assets	(1)	0	0	0	1
<u>Insertion of items not debited or credited to the CI&ES</u>					
Statutory provision for the financing of capital investment (note 11)	(5,737)	(6,545)	0	0	12,282
Capital Expenditure charged against the General Fund and HRA balances	(1,790)	(11,850)	0	0	13,640
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CI&ES	(68)	0	0	68	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(243)	243
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(549)	(2,291)	2,840	0	0
Revenue Income defined as capital under statute	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,709)	0	1,709
Transfer (to) / from Capital Adjustment account - set aside:					
- Repayments of loans to voluntary bodies	0	0	15	0	(15)
Transfer from Deferred Capital Receipts upon receipt of cash	0	0	1	0	(1)
Total Adjustments for Capital Purposes (see page 9)	4,246	(9,131)	1,147	(175)	3,913
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CI&ES - see note 37 & 47	26,793	3,516	0	0	(30,309)
Employer's pension contributions payable in the year	(19,360)	(2,342)	0	0	21,702
Net Change for Pensions Adjustments (see page 9)	7,433	1,174	0	0	(8,607)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(109)	5	0	0	104
Adjustments involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CI&ES accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(714)	19	0	0	695
Total Other Differences (see page 9)	(823)	24	0	0	799
Total Adjustments	10,856	(7,933)	1,147	(175)	(3,895)

NOTES TO THE ACCOUNTS

5. Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and also the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19.

	2017/18			2018/19					
	Balance at	Transfers	Transfers	Balance at	IFRS 9	Balance at	Transfers	Transfers	Balance at
	01/04/2017	Out	In	31/03/2018	Adj.	01/04/2018	Out	In	31/03/2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:									
Balances held by schools	1,642	(653)	1,023	2,012	0	2,012	(836)	645	1,821
Service Reserves	1,135	(357)	276	1,054	0	1,054	0	307	1,361
Insurance Reserve	2,419	0	220	2,639	0	2,639	0	250	2,889
Legal Liabilities Reserve	1,251	(178)	0	1,073	0	1,073	(19)	0	1,054
Winter Maintenance Reserve	300	(295)	345	350	0	350	(105)	105	350
Early Voluntary Retirement	94	0	0	94	0	94	0	0	94
Transitional EVR Reserve	1,349	0	0	1,349	0	1,349	0	0	1,349
Reshaping Services Reserve	815	(29)	0	786	0	786	(32)	0	754
Invest To Save Reserve	136	0	259	395	0	395	0	75	470
Capital Reserve	2,637	(103)	183	2,717	0	2,717	(95)	104	2,726
Repairs&Maintenance	150	(50)	0	100	0	100	(90)	0	10
ITeC Reserve	360	(154)	0	206	0	206	(206)	154	154
IT Development	42	0	0	42	0	42	0	0	42
Customer Access	15	0	0	15	0	15	0	0	15
Local Development Plan	203	(29)	0	174	0	174	0	0	174
Carbon Emission Reserve	302	(5)	296	593	0	593	(73)	4	524
Cremation Plant Replacement	23	0	0	23	0	23	0	0	23
Section 278 Reserve	328	0	0	328	0	328	0	136	464
NW Regional Transformation	109	(109)	0	0	0	0	0	0	0
Financial Instruments Reserve	0	0	0	0	3,139	3,139	(1)	0	3,138
Miscellaneous	45	0	1	46	0	46	0	4	50
Grant Reserves	4,502	(548)	886	4,840	0	4,840	(1,916)	1,540	4,464
Total	17,857	(2,510)	3,489	18,836	3,139	21,975	(3,373)	3,324	21,926

Service Reserves - represents service underspends as part of the Council's carry forward arrangements for use in subsequent years.

Insurance Reserve - the reserve is held to fund any future liabilities such as MMI (see notes 33 and 34 Notes to the Accounts) and claims that exceed budget.

Legal Liabilities Reserve - amount set aside to provide for any future legal liabilities.

Winter Maintenance Reserve - amount set aside to cover costs due to unforeseen adverse weather conditions.

Early Voluntary Retirement & Transitional EVR Reserve - to fund early retirements and redundancy costs following reshaping services.

Reshaping Services Reserve - an amount set aside to aid the transformation process to realise future savings for the Council.

Invest To Save Reserve - provision for the investment in various plans to realise permanent financial savings.

Capital Reserve - represents resources already committed to finance part of the Council's five year Non-HRA Capital Programme.

Repairs and Maintenance Reserve - to respond to future uneven expenditure patterns.

ITeC Reserve - ITeC provides information technology training for the benefit of the local economy and the reserve has been established to respond to future uneven expenditure patterns.

IT Development & Customer Access - to fund various IT enhancements and Self Service ICT development.

Local Development Plan (LDP) Reserve - to fund costs associated with the adoption of the LDP.

Carbon Emission Reserve - to partly fund the carbon reduction plan programme of works to reduce carbon emissions.

Cremation Plant Replacement Reserve - to partly fund the cost of mercury abatement.

Section 278 Reserve - represents income from contractors which have no conditions attached but which have been set aside to fund various infrastructure projects.

North Wales Regional Transformation - represents underspend on contribution made to fund North Wales Regional projects carried forward for use in subsequent years.

Financial Instruments Reserve - the reserve has been created as a consequence of a temporary gain recognised in the CI&ES following a change in the calculation of the carrying amount of the Council's modified loans as at 1 April 2018, as required by IFRS 9. The reserve will be used to neutralise the impact of higher effective interest charges to the CI&ES over the remaining life of the loans - see note 28 Notes to the Accounts

Miscellaneous - to meet a variety of other commitments including crematorium donations and school brass band.

Grant Reserves - represent income from Government grants received which have no conditions attached but which have been set aside for use in the provision of specific services.

NOTES TO THE ACCOUNTS

6. Other Operating Expenditure

2017/18 £'000		2018/19 £'000
2,383	Community Council Precepts	2,517
13,237	Police and Crime Commissioner for North Wales Precept	13,752
6,575	North Wales Fire Authority levy	6,655
746	Pensions Administration Costs	779
(32)	Losses / (Gains) on the disposal of non current assets	(132)
<u>22,909</u>	Total	<u>23,571</u>

7. Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
17,931	Interest payable and similar charges	18,791
7,100	Pensions Net Interest	6,830
(33)	Interest receivable and similar income	(69)
<u>24,998</u>	Total	<u>25,552</u>

8. Taxation and Non Specific Grant Income

2017/18 £'000		2018/19 £'000
(61,723)	Council tax income	(64,703)
(43,628)	Non-domestic rates	(43,090)
(125,819)	Non-ringfenced government grants	(131,546)
(15,425)	Capital grants and contributions	(17,011)
<u>(246,595)</u>	Total	<u>(256,350)</u>

9. Audit Costs

In 2018/19 the Council incurred the following fees relating to external audit and inspection:

2017/18 £'000		2018/19 £'000
176	Fees payable to the Wales Audit Office with regard to external audit services	176
85	Fees payable to the Wales Audit Office for the Local Government measure	95
80	Fees payable to the Wales Audit Office for the certification of grant claims and returns	88
<u>341</u>		<u>359</u>

10. Members' Allowances

In 2018/19 allowances totalling £976k (£955k 2017/18) were paid directly to Elected Members and in addition, allowances totalling £7k (£9k in 2017/18) were paid to co-opted Members inclusive of an element of expenses. Further information is available on the Council's website:

http://www.wrexham.gov.uk/english/council/financial/members_remuneration.htm

11. Minimum Revenue Provision

This is a statutory provision for the repayment of debt as required by the Local Authority (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018. The minimum revenue provision is calculated by reference to the overall indebtedness of the Council.

2017/18 £'000		2018/19 £'000
6,539	Housing amount	7,696
4,046	Non-housing amount	4,258
932	Charge for the principal part of the finance lease rentals payable	712
765	PFI - repayment of liability	806
<u>12,282</u>	Minimum Revenue Provision	<u>13,472</u>

NOTES TO THE ACCOUNTS

12. Agency Income and Expenditure

a) The Council has an agreement with Gwynedd County Council, lead authority for the North & Mid Wales Trunk Road Agency, whereby the Council is responsible for maintaining highways in the County Borough. Gwynedd County Council reimburses the Council for this work, including a contribution towards administration costs. A summary of expenditure incurred in respect of the activity, but not included in the CI&ES is as follows:

2017/18 £'000		2018/19 £'000
756	Specific Schemes	758
794	Routine Maintenance	668
103	Winter Maintenance	68
170	Administration Costs	186
<u>1,823</u>		<u>1,680</u>

In respect of Specific Schemes, the major schemes which took place during 2018/19 were soft estate works, barrier re-tensioning and drainage recycling on the A483.

b) The Welsh Government (WG) provides funding to issue interest free recyclable loans for the repair of properties, which have been long term vacant, with the aim of bringing them back in to use. The Council received funding of £0k from Flintshire County Council (the North Wales regional lead authority) during 2018/19 (£17k in 2017/18). The Council issued loans of £0k during the year (£0k in 2017/18) and had repayments of £0k (£0k in 2017/18). The balance as at 31 March 2019 is £595k.

c) During the period 2014/15 to 2018/19 WG introduced seven new loan schemes for housing and town centre regeneration.

Unlike the scheme in (b) above the funding is repayable to WG within 11 years, with the exception of Wrexham Town Centre Regeneration which is repayable in 14 years.

	Home Improvement Loans £'000	Houses into Homes £'000	Wrexham Town Centre Regeneration £'000	VVP - Empty Properties £'000	VVP - Private Sector Improvement £'000	VVP - Commercial Property Improvements £'000	VVP - Empty Property Acquisition £'000	Total £'000
Balance at 1 April	399	228	1,000	901	490	351	500	3,869
Received in year from WG	0	0	1,500	0	0	0	0	1,500
Loans Issued	(47)	(46)	0	(68)	(28)	(1)	0	(190)
Loans Repaid	9	28	0	107	29	0	0	173
Balance at 31 March	<u>361</u>	<u>210</u>	<u>2,500</u>	<u>940</u>	<u>491</u>	<u>350</u>	<u>500</u>	<u>5,352</u>

13. Health Act pooled funds and similar arrangements

On 8 July 2009 the Council entered into an agreement with Flintshire County Council and Betsi Cadwaladr University Health Board pursuant to Section 33 of the National Health Service (Wales) Act 2006, for the provision of an integrated community equipment service under a pooled fund arrangement. Flintshire County Council has been nominated as the host partner and has responsibility for the administration of the pool. The service is operated from a building in Hawarden Business Park which was funded by a grant from the Welsh Government. The Council's share of the cost of the building (50%) is included in Property, Plant & Equipment. The gross income and expenditure of the partnership for the period to 31 March 2019 is as follows:

2017/18 £'000		2018/19 £'000
	Expenditure	
585	Operating costs	608
233	Standard Equipment	237
178	Specialist Equipment	231
996		1,076
	Income	
(159)	Continuing Health Care funding	(181)
(969)	Contributions from partners	(987)
<u>(132)</u>	Net Surplus	<u>(92)</u>

The Council's contribution to the budget for 2018/19 is £281k (2017/18 £277k) and its share of the surplus is £26k (2017/18 £38k).

NOTES TO THE ACCOUNTS

14. Officers' Remuneration

(a) Under Section 9 (2) of the Accounts and Audit (Wales) Regulations 2014, the Council is required to disclose the Council's remuneration ratio. The ratio of the remuneration of the Council's Chief Executive to the median remuneration of all the Council's employees is 5.23 : 1.

(b) Under Section 9 (3) of the Accounts and Audit (Wales) Regulations 2014, the Council is required to disclose the number of employees (excluding Senior Officers as identified in disclosure note c below) whose remuneration excluding pension contributions was £60k or more in bands of £5k:

2017/18			Salary Banding	2018/19		
Schools	Non-schools	Total		Schools	Non-schools	Total
13	3	16	£60,000 - £64,999	16	1	17
8	1	9	£65,000 - £69,999	7	1	8
1	0	1	£70,000 - £74,999	4	1	5
2	0	2	£75,000 - £79,999	2	0	2
2	0	2	£80,000 - £84,999	1	0	1
0	0	0	£85,000 - £89,999	1	0	1
0	0	0	£90,000 - £94,999	0	0	0
0	0	0	£95,000 - £99,999	0	0	0
1	0	1	£100,000 - £104,999	0	0	0

For this purpose, remuneration relates to all amounts paid to, or receivable by, an employee, including payments on termination of employment, and includes expense allowances and the value of other benefits which are chargeable to tax.

(c) Under Section 9 (4) of the Accounts and Audit (Wales) Regulations 2014, the following information regarding employees identified as Senior Officers and whose salary is between £60,000 and £150,000 is provided:-

2017/18				Postholder Information (Post Title)	2018/19			
Salary £	Other Payments £	Pension contributions £	Total £		Salary £	Other Payments £	Pension contributions £	Total £
78,633	0	23,574	102,207	Chief Executive	66,769	0	19,630	86,399
99,888	0	29,946	129,834	Executive Director Place and Economy (Reshaping)	78,058	36,737	22,949	137,744
104,310	0	31,272	135,582	Executive Director People (Customer and Customer Engagement)	106,599	0	31,340	137,939
87,498	0	26,232	113,730	Head of Corporate & Customer Services	77,476	0	22,778	100,254
86,362	0	25,891	112,253	Head of Finance	89,741	0	26,288	116,029
80,007	0	23,986	103,993	Head of Adult Social Care	87,240	0	25,648	112,888
75,350	0	22,590	97,940	Head of Education	85,966	0	25,274	111,240
86,362	0	25,891	112,253	Head of Housing & Economy	88,089	0	25,898	113,987
75,987	0	22,781	98,768	Head of Children's Social Care	53,065	0	15,601	68,666
0	0	0	0	Interim Head of Children's Social Care	23,885	0	0	23,885
86,362	0	25,891	112,253	Head of Environment & Planning	88,089	0	25,898	113,987

Salary includes all pensionable pay with the exception of amounts paid in respect of election duties. A new Chief Executive was appointed by the Council on 30 August 2018. The Executive Director (Customer and Customer Engagement) carried out the role of Chief Executive between 1 April 2018 and 31 August 2018. The Head of Adult Social Care carried out the role of Executive Director People (Customer and Customer Engagement) whilst this officer was covering the Chief Executive position. The Head of Finance occupied the role of Temporary Executive Director - Education & Projects Portfolio, between April 2018 and August 2018. The new Head of Corporate & Customer Services was appointed 1 April 2018.

The incumbent Head of Children's Social Care left the Council on 30 November 2018, and interim Head of Children's Social Care was appointed on 1 October 2018 and remains in post at 31 March 2019. The 'Other Payment' made of £36,737 in 2018/19 pertains to the amount paid to the Executive Director Place and Economy (Reshaping) on taking voluntary redundancy from the Council on 6 January 2019.

d) In accordance with Section 9 (5) of the Accounts and Audit (Wales) Regulations 2014, the Council is required to disclose by name a Senior Officer whose salary is £150k or more. The Council did not employ a Senior Officer with a salary of £150k or more during the financial year.

NOTES TO THE ACCOUNTS

14. Officers' Remuneration cont'd

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

A Exit Package cost band (including special payments)	B Number of compulsory redundancies		C Number of other departures agreed		D Total number of exit packages by cost band (B+C)		E Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£'000	£'000
£0 - £20,000	27	71	3	7	30	78	141	447
£20,001 - £40,000	3	6	2	5	5	11	144	320
£40,001 - £60,000	0	1	2	2	2	3	100	157
£60,001 - £80,000	0	1	0	1	0	2	0	139
£80,001 - £100,000	0	0	0	1	0	1	0	89
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £350,000	0	0	0	0	0	0	0	0
£350,001 - £450,000	0	0	0	1	0	1	0	379
Total	30	79	7	17	37	96	385	1,531

The above table outlines the number of exit packages and the total cost per band; it also distinguishes between those redundancies that were as a result of the Council's decision to terminate an employee's employment, and those where an employee has made a decision to accept voluntary redundancy.

15. Council Tax

Council Tax income derives from charges raised according to the value of residential properties which have been classified into nine valuation bands, using estimated 1 April 2003 values for this purpose. Charges are calculated by taking the amount of income required for the year by Wrexham County Borough Council and the Police and Crime Commissioner for North Wales, and dividing this amount by the council tax base. The council tax base is the total number of properties in each band, adjusted by a proportion to convert the number to a band 'D' equivalent, adjusted for discounts and exemptions - 53,280 for 2018/19. The basic amount for a band 'D' property (£1,398.38 in 2018/19) is multiplied by the proportion specified for the particular band to give the individual amount due.

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of properties at 31/03/19	4,342	12,596	16,982	10,104	8,020	4,977	2,512	720	292

Analysis of the net proceeds from council tax :-

2017/18 £'000		2018/19 £'000
61,613	Council Tax raised	64,703
110	Add: reduction in provision for bad debts	0
<u>61,723</u>	Net proceeds from Council Tax	<u>64,703</u>

16. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate multiplier (51.4p in 2018/19) and subject to the effects of transitional arrangements, local businesses and other non-domestic ratepayers pay rates, calculated by multiplying the rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area, but pays the proceeds into the NNDR pool, administered by the Welsh Government, which redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population. The NNDR income, after relief and provisions, was £42,847k for 2018/19. The total rateable value at 31 March 2019 was £101,003k. The analysis of the net proceeds from non-domestic rates are as follows:-

2017/18 £'000		2018/19 £'000
40,529	Non-domestic rates raised	42,847
	Less:	
(40,271)	amount paid into NNDR Pool	(42,590)
0	provision for bad debts	0
<u>(258)</u>	cost of collection	<u>(257)</u>
0		0
43,628	Receipts from the pool	43,090
<u>43,628</u>	Net proceeds from NNDR	<u>43,090</u>

17. Related Parties

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

Central Government

The Welsh Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in note 54 Notes to the Accounts. Grant receipts outstanding at 31 March 2019 are also shown in note 54 Notes to the Accounts.

Other Public Bodies

The Authority has a pooled budget arrangement with Flintshire County Council and Betsi Cadwaladr University Health Board for the provision of an integrated community equipment service. Further details of the income and expenditure of the partnership in 2018/19 can be found in note 13 Notes to the Accounts.

Members and Officers

The Council has arrangements in place requesting Members and Officers to identify and disclose related party transactions. Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in note 10 Notes to the Accounts. One Member did not return a declaration; in this instance we have relied upon the Council's Register of Interests to gather the information required.

During 2018/19 works and services to the value of £837k (£1,073k 2017/18) were commissioned from companies that had Local Authority Members as appointed representatives on the Committee or Board; the Council also awarded grants to the value of £869k (£1,307k 2017/18) to organisations on which they had an appointed representative on the management structure. Works and services to the value of £2,368k (£34k 2017/18) were commissioned from companies where a Member had declared an interest or was employed by the company; the Council also awarded grants to organisations where Members declared an interest to the value of £28k (£111k 2017/18).

The Council paid grants to the value of £144k (£184k 2017/18) to organisations where Members of the Council were employed. In all instances, the grants were made with proper consideration of declarations of interest.

The Council paid precepts or levies to organisations to the value of £23,386k (£23,162k 2017/18) where Members had declared an interest.

During 2018/19 the Council was in receipt of grants to the value of £359k from an organisation where an employee is appointed as a public appointee. The grant award has been included in note 54 Notes to the Accounts.

The Council was also in receipt of £107k from and paid £42k to an organisation where an employee was on the Board Of Governors; this appointment is reflected in the officer's register of interest.

In respect of the above disclosures, balances as at 31 March 2019 are :

	Owed by the Council £'000	Owed to the Council £'000
Grants awarded with appointed representatives	63	0
Precept or levies with Members declared interest	6	26
Works & Services with appointed representative	150	17
Works & Services where interest declared	1	0
Works & Services where Member employed	45	124

The above balances form part of notes 29 and 31 Notes to the Accounts.

Controlled Companies

Wrexham Commercial Services Limited

Wrexham Commercial Services Limited (WCS) is set up as a company limited by share, with Wrexham County Borough Council as the sole shareholder. The company was incorporated on 1st October 2014 as a general trading company and currently provides building cleaning and caretaking services to the Council and external customers. The Board of Directors, as at 31st March 2019, consists of three members in total, two senior council officers and one elected member. The Board of Directors elected not to pay a dividend to the Council during 2018/19.

Payments and balances as at 31st March 2019 to WCS for building cleaning and caretaking services are as follows:

	2017/18 £	2018/19 £
Payments made	2,131,483	2,328,831
Amounts owed by the Council	75,365	45,116
Amounts owed to the Council	240,649	123,799

The audited financial statements for the financial year 2018/19 are available and can be obtained from Wrexham Commercial Services Limited, Council Offices, Ruthin Road, Wrexham LL13 7TU.

18. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Officer Finance & ICT on 30 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE ACCOUNTS

19. Property, Plant & Equipment

Movements in 2018/19

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	Assets Included in Property, Plant & Equipment PFI £'000	Leases £'000
Cost or Valuation	628,067	364,171	55,369	121,350	15,319	6,378	0	1,190,654	33,335	13,285
At 01/04/2018										
Additions	40,983	6,077	1,432	3,831	25	23	1,555	53,926	5	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	735	0	0	0	566	0	1,301	0	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(2,464)	0	0	(25)	(31)	0	(2,520)	0	0
Derecognition - Disposals	(4,082)	0	0	0	0	0	0	(4,082)	0	0
Assets reclassified to / (from) Held for Sale	0	(588)	0	0	(96)	(705)		(1,389)	0	0
Other Movements	0	(45)	0	0	(11)	(9)	65	0	0	0
At 31/03/2019	664,968	367,886	56,801	125,181	15,212	6,222	1,620	1,237,890	33,340	13,285
Accumulated Depreciation & Impairment	(30,101)	(42,782)	(26,876)	(22,993)	(59)	(624)	0	(123,435)	(6,823)	(10,467)
At 01/04/2018										
Depreciation Charge	(11,583)	(9,601)	(3,860)	(3,985)	0	(71)	0	(29,100)	(1,479)	(897)
Depreciation written out to the Revaluation Reserve	0	2,103	0	0	0	99	0	2,202	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	3,865	0	0	0	0		3,865	0	0
Impairment losses / reversals recognised in the Revaluation Reserve	(158)	(1,629)	0	0	0	0	0	(1,787)	0	0
Impairment losses / reversals recognised in the Surplus / Deficit on the Provision of Services	(3,401)	(3,894)	0	0	0	(15)	0	(7,310)	0	0
Derecognition - Disposals	331	0	0	0	0	0	0	331	0	0
Other Movements	0	2	0	0	0	20	0	22	0	0
At 31/03/2019	(44,912)	(51,936)	(30,736)	(26,978)	(59)	(591)	0	(155,212)	(8,302)	(11,364)
Net Book Value										
At 31/03/2019	620,056	315,950	26,065	98,203	15,153	5,631	1,620	1,082,678	25,038	1,921
At 31/03/2018	597,966	321,389	28,493	98,357	15,260	5,754	0	1,067,219	26,512	2,818

NOTES TO THE ACCOUNTS

19. Property, Plant & Equipment cont'd

Comparative Movements in 2017/18

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	Assets Included in Property, Plant & Equipment PFI £'000	Leases £'000
Cost or Valuation	581,241	355,847	53,472	119,240	15,585	9,454	0	1,134,839	33,265	12,681
At 01/04/2017										
Additions	49,257	11,476	2,329	2,110	531	0	0	65,703	284	604
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	152	0	0	0	188	0	340	0	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(2,752)	(214)	0	(695)	(239)	0	(3,900)	(214)	0
Derecognition - Disposals	(2,431)	0	0	0	0	(1,052)	0	(3,483)	0	0
Derecognition - Other	0	(14)	(218)	0	0	(1,220)	0	(1,452)	0	0
Assets reclassified to / (from) Held for Sale	0	(294)	0	0	11	(1,110)		(1,393)	0	0
Other Movements	0	(244)	0	0	(113)	357	0	0	0	0
At 31/03/2018	628,067	364,171	55,369	121,350	15,319	6,378	0	1,190,654	33,335	13,285
Accumulated Depreciation and Impairment	(14,562)	(37,872)	(23,531)	(19,082)	(59)	(2,981)	0	(98,087)	(5,512)	(9,573)
At 01/04/2017										
Depreciation Charge	(10,177)	(9,296)	(3,768)	(3,911)	0	(88)	0	(27,240)	(1,516)	(894)
Depreciation written out to the Revaluation Reserve	0	5,242	0	0	0	61	0	5,303	0	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	2,766	0	0	0	369		3,135	0	0
Impairment losses / reversals recognised in the Revaluation Reserve	(112)	(1,828)	0	0	0	0	0	(1,940)	0	0
Impairment losses / reversals recognised in the Surplus / Deficit on the Provision of Services	(5,390)	(1,808)	205	0	0	0	0	(6,993)	205	0
Derecognition - Disposals	140	0	0	0	0	779	0	919	0	0
Derecognition - Other	0	14	218	0	0	1,220	0	1,452	0	0
Other Movements	0	0	0	0	0	16	0	16	0	0
At 31/03/2018	(30,101)	(42,782)	(26,876)	(22,993)	(59)	(624)	0	(123,435)	(6,823)	(10,467)
Net Book Value										
At 31/03/2018	597,966	321,389	28,493	98,357	15,260	5,754	0	1,067,219	26,512	2,818
At 31/03/2017	566,679	317,975	29,941	100,158	15,526	6,473	0	1,036,752	27,753	3,108

NOTES TO THE ACCOUNTS

19. Property, Plant & Equipment cont'd

Buildings used by Voluntary Aided and Voluntary Controlled Schools are excluded from Property, Plant & Equipment as they are not owned by the Council. However, land owned by the Council and used by these schools is recognised in Property, Plant & Equipment.

20. Depreciation

All Property, Plant & Equipment has been depreciated using the straight line method over the following periods:

Buildings	12 - 120 years
Council Dwellings	10 - 50 years
Vehicles, Plant, Furniture & Equipment	5 - 25 years
Infrastructure	40 years

The Council's accounting policy is to depreciate significant components of material assets separately. Where components of an asset have been recognised according to the accounting policy, these are depreciated over the estimated life of the individual component.

21. Revaluations and Reclassifications

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every five years. All valuations are carried out internally by the Council's Development Surveyor, Nicholas Adamson, MRICS. However, the valuation of the Council's waste disposal PFI Phase II facility has been provided by DVS of the Valuation Agency in the capacity of External Valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment with short useful lives are based on historical cost.

As part of the Council's rolling programme, Markets, Shops and Social Care properties were selected for review as at 1 April 2018. Heritage Assets were also reviewed in 2018/19. During the year a further review of land and buildings was undertaken for impairment following significant capital expenditure and change in asset use. The Upward revaluations in the year amounted to £7,113k of which £2,640k related to the rolling programme and downward revaluations amounted to £11,315k of which £742k related to the rolling programme. The revaluations by asset classification is as follows:

	Upward Revaluations			Downward Revaluations / Impairment		
	Surplus/Deficit			Surplus/Deficit		
	Revaluation Reserve £'000	Provision for Services £'000	Rolling Programme £'000	Revaluation Reserve £'000	Provision for Services £'000	Rolling Programme £'000
Council Dwellings	0	0	0	(158)	(3,401)	0
Other Land & Buildings	3,963	2,251	2,640	(2,753)	(4,744)	(742)
Vehicles, Plant & Equipment	0	0	0	0	0	0
Community Assets	0	0	0	0	(25)	0
Surplus Assets	850	0	0	(185)	(46)	0
Total Property, Plant & Equipment	4,813	2,251	2,640	(3,096)	(8,216)	(742)
Heritage Assets	49	0	0	0	(3)	0
Assets Held for Sale	0	0	0	0	0	0
Total	4,862	2,251	2,640	(3,096)	(8,219)	(742)

Fair Value Measurement of Surplus Assets

The Council's Surplus Assets as at 31 March 2019 can be categorised as follows in line with IFRS 13 Fair Value

	Level 1	Level 2	Level 3	Fair Value
	£'000	£'000	£'000	at 31/03/2019 £'000
Surplus Assets	0	1,219	4,412	5,631

Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3 - Unobservable inputs for the asset or liability

When assigning the hierarchy level a number of factors have been taken into account, including where DVS valuations have been instructed - Level 1, where in receipt of informal bid tenders - Level 2 and where the Development Surveyor holds sufficient information that in his opinion allows a reasonable conclusion to be reached on a valuation - Level 3.

The cyclical revaluation process and completion of project revaluations also resulted in assets being reclassified within the financial year.

22. Construction Contracts

The Council was not the contractor in any construction contracts in 2018/19 or 2017/18.

NOTES TO THE ACCOUNTS

23. Commitments Under Capital Contracts

As at 31 March 2019 the Council was contractually committed to capital works on the following schemes:

	£'000
New Sixth Form Block - Ysgol Morgan Llwyd	384
Extension & Alterations- Gwersyllt Primary School	1,899
Ysgol Bryn Alyn (Retention)	94
Installation LED Street Lighting	147
Redwither Tower Roof Renewal	657
HRA properties	7,171
South West Wrexham Renewal Area	350
	10,702

24. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

	<u>Civic</u> <u>Regalia</u>	<u>Museum Object Collection</u>				<u>Statuary &</u> <u>Monuments</u>	Total £'000
	£'000	Fine & Decorative Art £'000	Industrial & Economic History £'000	Welsh Football £'000	Archaeology Social, Natural & Military History £'000	£'000	
Cost or Valuation At 1 April 2017	88	65	70	204	51	28	506
Additions	8	0	0	0	0	0	8
Donations	1	0	0	0	0	0	1
Impairment (losses) / reversals recognised in Surplus or Deficit on the Provision of Services	(8)	0	0	0	0	0	(8)
At 31 March 2018	89	65	70	204	51	28	507
Cost or Valuation At 1 April 2018	89	65	70	204	51	28	507
Additions	3	0	0	0	0	0	3
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46	0	0	2	1	0	49
Derecognition	0	0	0	0	(1)	0	(1)
Impairment (losses) / reversals recognised in Surplus or Deficit on the Provision of Services	(3)	0	0	0	0	0	(3)
At 31 March 2019	135	65	70	206	51	28	555

The Council's 'Heritage Assets' portfolio can largely be divided into three classes:

Civic Regalia - reported in the Balance Sheet at an insurance valuation provided by Bonhams of Chester in November 2012. The regalia are cleaned on a regular basis and are maintained by a local jeweller. Further information is available on the Council's website: http://wrexham.gov.uk/english/council/mayoralty/civic_regalia.htm

Museum Object Collection - reported in the Balance Sheet at an insurance valuation provided by Bonhams of Chester in December 2012. The collection currently consists of over 13,000 objects. The Museum has an Acquisition and Disposal policy which can be found at: www.wrexham.gov.uk/assets/pdfs/consultations/a_and_d_policy_2009.pdf

The Museum collection is displayed and stored across three sites; Wrexham Museum and Archive, Bersham Heritage Centre and Llay museum store. The museum collection is varied and typical of many Local Authority museum collections. It can be broken down into the following sub-themes:

Statuary and Monuments - the items identified include 'Y Bwa' sculpture of a miner and steelworker in Lord Street by David Annand unveiled in 1996, a statue of Queen Victoria in Bellevue Park originally placed in 1905 by the Guildhall and moved to the park during the 1920s and Acton Park Gateway built in 1820 as the entrance to the Acton Park Estate by Sir Foster Cunliffe. With the exception of Y Bwa, which is recognised at historic cost, information is not available for any of the other statues and monuments.

The Council has various archaeological sites across the Borough, information is available on the website: www.wrexham.gov.uk/english/heritage/visitor_information.htm

The Council owns an area of land which has been designated a SSSI for its great crested newts at Stryt Las, Johnstown.

Additions and Disposals of Heritage Assets

The Council received a donation of the Normandy military standard during 2017/18 and a value of £700 was placed on this asset. The Council spent a total of £3k on the restoration of this standard in 2018/19; this expenditure brought the assets to the condition necessary for display without increasing the intrinsic value. A review of the Heritage Assets during 2018/19 identified assets to the value of £48k that had not previously been recognised.

NOTES TO THE ACCOUNTS

25. Capital Financing Statement

2017/18 Total £'000		Property, Plant & Equipment £'000	Heritage Assets £'000	2018/19		Total £'000
				Revenue Expenditure Funded from Capital under Statute £'000	Loans to Third Parties £'000	
68,706	Expenditure in Year	53,926	3	3,625	0	57,554
(557)	Less: movement in capital accrual	450	0	0	0	450
<u>68,149</u>		<u>54,376</u>	<u>3</u>	<u>3,625</u>	<u>0</u>	<u>58,004</u>
Financed By:-						
Increase in underlying need to borrow:						
3,498	- supported by government financial assistance	3,511	0	0	0	3,511
30,815	- unsupported by government financial assistance	26,479	0	0	0	26,479
702	- local authority borrowing initiative	0	0	0	0	0
604	Finance Lease	0	0	0	0	0
254	PFI	0	0	0	0	0
1,709	Capital Receipts	894	0	5	0	899
16,927	Grants and Contributions	14,976	0	3,587	0	18,563
13,640	Capital Expenditure Charged to Revenue	8,516	3	33	0	8,552
<u>68,149</u>		<u>54,376</u>	<u>3</u>	<u>3,625</u>	<u>0</u>	<u>58,004</u>

26. Capital Financing Requirement

The CIPFA Prudential Code of Practice requires the Council to adopt indicators which demonstrate that the Council's capital plans are affordable, prudent and sustainable. One of these indicators is the Capital Financing Requirement. This indicator reflects the underlying need to borrow for a capital purpose. When capital expenditure is not resourced immediately, this will result in a net increase to the capital financing requirement. This will be the case whether, or not, external borrowing actually occurs. The capital financing requirement as at 31 March is:

2017/18 £'000		2018/19 £'000
1,067,219	Property, Plant and Equipment	1,082,678
(2,494)	Less: in year capital accrual	(2,044)
507	Heritage Assets	555
38	Intangible Assets	25
1,144	Assets Held for Sale	1,163
269	Long term debtors - loan to third parties	253
1,067	Short term Debtors - Private Finance Initiative	1,563
(285,815)	Revaluation Reserve	(283,072)
(371,193)	Capital Adjustment Account	(373,365)
<u>410,742</u>	Capital Financing Requirement at 31 March	<u>427,756</u>

27. Assets Held for Sale

	2017/18		2018/19	
	Current £'000	Non-Current £'000	Current £'000	Non-Current £'000
Balance outstanding at 1 April	20	0	1,144	0
Assets newly classified as held for sale:				
- Property, Plant & Equipment	1,388	0	1,367	0
Revaluation losses	(9)	0	0	0
Assets declassified as held for sale:				
- Property, Plant & Equipment	(11)	0	0	0
Assets sold	(244)	0	(1,348)	0
Balance outstanding at 31 March	<u>1,144</u>	<u>0</u>	<u>1,163</u>	<u>0</u>

A comprehensive review was undertaken by the Strategic Asset Lead and team of those assets categorised as Assets Held for Sale (AHFS) and Surplus Assets as at 31 March 2019; the scope of this review extended to an assessment of all current assets held in the portfolio for consideration to reclassify as either AHFS or Surplus. This review resulted in a number of reclassifications where the requisite criteria of the Code were met for each classification.

NOTES TO THE ACCOUNTS

28. Financial Instruments

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

a) Transition to IFRS 9 Financial Instruments

The Council has adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main change to the Council is the remeasurement of modified loan liabilities.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements and the effect has instead been shown as an additional line in the Movement in Reserves Statement (see page 11). The changes made on transition to the balance sheet are summarised below:

	Note	Previous Standard		
		IAS 39 31.3.18 £'000	Remeasu- rement £'000	IFRS 9 1.4.18 £'000
Borrowing - amortised cost:				
Market Loans	28c	(22,850)	2,530	(20,320)
Net Assets		415,674	2,530	418,204
Reserves:				
Usable Reserves	5	44,535	3,139	47,674
Unusable Reserves:				
Deferred Capital Receipts Reserve		2	0	2
Revaluation Reserve		285,815	0	285,815
Capital Adjustment Account		371,193	0	371,193
Financial Instruments Adjustment Account	46	(1,029)	(609)	(1,638)
Pensions Reserve		(283,506)	0	(283,506)
Accumulated Absences Account		(1,336)	0	(1,336)
		371,139	(609)	370,530
Total Reserves		415,674	2,530	418,204

b) Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised Cost (where cashflows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- loans made for service purposes
- trade debtors for goods and services provided

Fair Value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- pooled bond, equity and property funds managed by fund managers held as strategic investments
- equity investments held for service purposes, and

Fair Value through profit and loss account (all other financial assets) comprising:

- money market funds managed by fund managers
- pooled bond, equity and property funds managed by fund managers

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

NOTES TO THE ACCOUNTS

28. Financial Instruments cont'd

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Note	Short-term		Long-term	
		31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
<i>Investments at amortised cost:</i>					
Principal		0	15,290	0	0
Accrued Interest		2	3	0	0
Loss Allowance		0	0	0	0
Total Investments		2	15,293	0	0
<i>Cash and Cash Equivalents at amortised cost:</i>					
Principal		13,998	55	0	0
Accrued Interest		1	1	0	0
Loss Allowance		0	0	0	0
Total Cash and Cash Equivalents	28d	13,999	56	0	0
<i>Debtors at amortised cost:</i>					
Trade Debtors		11,508	12,319	0	0
Accrued Interest		0	6	0	0
Loss allowance		(1,525)	(1,772)	0	0
Loans made for service purposes		0	0	247	243
Included in Debtors **	29	9,983	10,553	247	243
Total Financial Assets		23,984	25,902	247	243

The Debtors balance in note 29 to the Notes to the Accounts includes £25,766k (£24,725k 2017/18) short-term and £424k (£9,719k 2017/18) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

c) Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board (PWLB) and commercial lenders
- short term loans from other local authorities
- Government Bodies Invest to Save initiatives
- overdraft with the bank
- finance leases
- Private Finance Initiative contracts
- trade creditors for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Note	Short-term		Long-term	
		31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
<i>Loans at amortised cost:</i>					
PWLB					
Principal sum borrowed		(1,528)	(2,139)	(272,059)	(291,840)
Accrued Interest		(2,414)	(2,537)	0	0
Market					
Principal sum borrowed		0	0	(23,800)	(23,800)
Accrued Interest		(151)	(149)	(777)	(764)
Effective Interest Rate Adjustment:		0	0	1,727	1,691
IFRS 9 Remeasurement	28a	0	0	0	2,530
Government Bodies					
Principal sum borrowed		(509)	(357)	(1,476)	(1,464)
Accrued Interest		0	0	0	0
Effective Interest Rate Adjustment		33	35	67	82
Bonds & Other Local Authorities					
Principal sum borrowed		(65,177)	(49,043)	0	0
Accrued Interest		(71)	(175)	0	0
Total Borrowing		(69,817)	(54,365)	(296,318)	(313,565)
Cash Overdrawn	28d	(6,555)	(4,488)	0	0
Total Cash Overdrawn		(6,555)	(4,488)	0	0

NOTES TO THE ACCOUNTS

28. Financial Instruments cont'd

	Note	Short-term		Long-term	
		31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
<i>Liabilities at amortised cost:</i>					
Finance Leases	36	0	0	(2,072)	(1,360)
Private Finance Initiative (PFI)	35	0	0	(25,614)	(25,304)
Total Other Long Term Liabilities		0	0	(27,686)	(26,664)
Trade Creditors	31	(9,249)	(9,318)	0	0
Included as Creditors **		(9,249)	(9,318)	0	0
Total Financial Liabilities		(85,621)	(68,171)	(324,004)	(340,229)

The loans from Government Bodies are interest free and include sums from Welsh Government(WG) and Salix to finance various invest to save and carbon emission and energy use reduction projects. The loans are repayable over a period of 6 to 9 years.

** The Creditors lines on the Balance Sheet include £9,215k (£8,043k 2017/18) short-term and £8,296k (£6,575k 2017/18) long-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

d) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31/03/2018 £'000	31/03/2019 £'000
Cash in hand	56	55
Bank current accounts	(6,555)	(4,488)
Call accounts	13,943	1
Net Position on Balance Sheet	<u>7,444</u>	<u>(4,432)</u>

e) Financial Instruments - Gains and Losses

The gains and losses in the CI&ES in relation to financial instruments are as follows:

Total 2017/18 £'000		Note	Financial Liabilities at amortised cost 2018/19 £'000	Financial Assets at amortised cost 2018/19 £'000	Total 2018/19 £'000
17,931	Interest Expense		18,143	0	18,143
0 #	Impairment losses		0	632	632
0	Fees paid		16	0	16
<u>17,931</u>	Interest Payable & similar charges	7	<u>18,159</u>	<u>632</u>	<u>18,791</u>
(33)	Interest Income		0	(69)	(69)
<u>(33)</u>	Interest and Investment Income	7	<u>0</u>	<u>(69)</u>	<u>(69)</u>

Impairment losses in respect of doubtful debtors and fees paid would have been included in the relevant service lines of the CI&ES in 2017/18. The comparative amount for 2017/18 is £455k and £34k respectively.

f) Financial Instruments - Fair Value

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019 using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

NOTES TO THE ACCOUNTS

28. Financial Instruments cont'd

- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

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

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

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

Financial Liabilities held at fair value:

	Fair Value Level	Balance Sheet Value		Fair Value	
		31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
Financial Liabilities held at amortised cost:					
Long term loans from PWLB	2	(276,001)	(296,516)	(376,838)	(398,433)
Long term LOBO loans	2	(14,185)	(11,927)	(24,119)	(23,861)
Other Long term loans	2	(8,816)	(8,565)	(13,393)	(13,315)
Loans from Government Bodies	2	(1,885)	(1,704)	(1,916)	(1,756)
PFI Liabilities	3	(25,614)	(25,304)	(52,425)	(52,173)
Finance Lease Liabilities	3	(2,072)	(1,360)	(2,147)	(1,395)
Total		(328,573)	(345,376)	(470,838)	(490,933)

Liabilities for which fair value is not disclosed *

Short-term borrowing i.e. Bonds & Other Local Authorities	(65,247)	(49,218)
Cash Overdrawn	(6,555)	(4,488)
Trade Creditors	(9,249)	(9,318)
Total	(81,051)	(63,024)

* The fair value of short-term financial liabilities including trade creditors is assumed to approximate to the carrying amount.

The fair value of financial loans held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance sheet date. The fair value of the PFI arrangement is greater than the carrying amount because the pre-construction interest rate included in the contract reflects the risks associated with construction. This is higher than the discount rate used to calculate the fair value which represents the current interest rates available to the Council.

Financial Assets held at fair value:

	Balance Sheet Value	
	31/03/2018 £'000	31/03/2019 £'000
Assets for which fair value is not disclosed *		
Short-term investments	2	15,293
Loans made for service purposes	247	243
Trade Debtors	9,983	10,553
Cash and Cash Equivalents	13,999	56
Total	24,231	26,145

* The fair value of short-term financial assets including trade debtors is assumed to approximate to the carrying amount.

g) Financial Instruments - Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

Credit risk - the possibility that other parties might fail to pay amounts due to the Council.

Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.

Market risk - the possibility of financial loss to the Council as a result of changes in such measures as interest rate movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management team in conjunction with appointed Treasury Management advisors, under policies approved by the Council in the Treasury Management Strategy and Annual Investment Strategy. The strategy provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent advice.

NOTES TO THE ACCOUNTS

28. Financial Instruments cont'd

Credit Risk: Treasury Investments

The Council's policy in 2018/19 was to not lend more than £5 million to one institution (other than the UK government) and no more than £10m to be invested for a period longer than one year. The Council has no historical experience of counterparty default. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating and remaining time to maturity as at 31 March 2019:

	Fitch Credit Rating	Maturity of Investment		Total £'000
		0-3 Months £'000	3-12 Months £'000	
UK - Government Debt Management Office	AA	15,290	0	15,290
Total Investments (Principal)		15,290	0	15,290

The above table shows that the deposits outstanding as at 31 March 2019 met the Council's credit rating criteria. At 31 March 2019 there was no loss allowance related to treasury investments as the sole counterparty is central government.

Credit Risk: Trade Debtors

The following analysis summarises the Council's trade debtors (excluding HRA arrears), by due date. Only those debts which meet the definition of a financial asset are included:

	31/03/2019 £'000
Neither past due nor impaired *	7,925
Past due < 3 months	2,264
Past due < 3 - 6 months	48
Past due < 6 - 12 months	84
Past 12 months	198
	<u>2,594</u>

* Includes social care deferred payments with a charge on the property of £1,838k.

Loss allowance on trade debtors have been calculated by reference to the Council's historic experience of default. Debtors are determined to have suffered an increase in credit risk if they are 30 or more days past due. They are determined to be credit-impaired where they are 12 months or more past due. Loss allowance for HRA is calculated by reference to the value of Current Tenant arrears on a banded basis and the historic experience of arrears recovery for these values. Loss Allowance for Former Tenants is based on 95% of arrears.

Debtors are collectively assessed for credit risk in the following groupings:

	Range of Allowances set	Gross Receivable £'000	Loss Allowance £'000	Net Receivable £'000
HRA Tenants	0% - 95%	1,682	(1,489)	193
General Fund Housing Tenants	100%	161	(161)	0
Other	0% - 100%	2,594	(159)	2,435
		<u>4,437</u>	<u>(1,809)</u>	<u>2,628</u>

The Council's write-off policy is outlined in the Council's Financial Procedure Rules and can be accessed by the following link:

https://www.wrexham.gov.uk/top_navigation/search/index.htm?q=Finance%20Procedure%20Rules

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure that loans do not mature at an inopportune time and this is achieved through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of the Council's borrowing (excluding bonds and temporary loans) is as follows:

	£'000
Less than one year	2,496
Between one and two years	2,819
Between two and five years	9,320
Between five and ten years	44,573
Between ten and twenty years	164,063
Between twenty and thirty years	22,002
Between thirty and forty years	59,027
More than forty years	0
Uncertain Date *	15,300
	<u>319,600</u>

NOTES TO THE ACCOUNTS

28. Financial Instruments cont'd

* The Council has £15.3m of "Lenders option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain. All trade creditors are due to be paid in less than one year.

Market risk

Interest rate risk - The Council is exposed to risks arising from movements in interest rates. The Council's Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £70m on external debt that can be subject to variable interest rates. As at 31 March 2019, 100% of the Council's debt portfolio was held in fixed rate instruments.

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	0
Increase in interest receivable on variable rate investments	(78)
Increase in Government grant receivable for financing costs	
Impact on the CI&ES	(78)
Share of overall impact debited/credited to the HRA	0
Decrease in fair value of fixed interest rate investment assets	0
Decrease in fair value of fixed rate borrowings liabilities (No impact on the CI&ES)	55,129

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

Price risk

The Council does not generally invest in equity shares.

Foreign Exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

29. Debtors

	Short-term		Long-term	
	31/03/2018	31/03/2019	31/03/2018	31/03/2019
	£'000	£'000	£'000	£'000
Central government bodies	10,309	12,027	0	0
Other local authorities	11,514	10,702	9,414	0
NHS bodies	2,072	2,100	0	0
Loans to third parties and mortgages	0	0	247	243
Other	10,813	11,490	305	424
	34,708	36,319	9,966	667

The above debtors' figures are net of impairment losses and are also analysed as follows:

Trade Debtors / Third Party Loans	9,983	10,553	247	243
Prepayments	12,186	12,456	9,719	424
Other	12,539	13,310	0	0
	34,708	36,319	9,966	667

Loans to third parties include a loan to a commercial body which was to part fund the development of a hotel on Wrexham Technology park (£59k) and four loans to voluntary bodies (£182k). Two of the loans to voluntary bodies are interest free.

30. Debtors for Local Taxation

The past due but not impaired amount for council tax can be analysed as follows:

	31/03/2018	31/03/2019
	£'000	£'000
Due within one year	2,060	2,164
More than one year	2,105	2,060
	4,165	4,224

NOTES TO THE ACCOUNTS

31. Creditors

	Short-term		Long-term	
	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
Central government bodies	(3,217)	(4,444)	(3,869)	(5,352)
Other local authorities	(1,978)	(2,268)	0	0
NHS bodies	(87)	(41)	0	0
Other entities and individuals	(12,010)	(11,780)	(2,706)	(2,944)
	<u>(17,292)</u>	<u>(18,533)</u>	<u>(6,575)</u>	<u>(8,296)</u>
Trade Creditors	(9,249)	(9,318)	0	0
Other	(8,043)	(9,215)	(6,575)	(8,296)
	<u>(17,292)</u>	<u>(18,533)</u>	<u>(6,575)</u>	<u>(8,296)</u>

32. Social Care - Safe Custody and Amenity Funds

Safe Custody Accounts - The Adult Social Care Department maintains individual Safe Custody accounts for service users living in the community, who are unable to deal with their financial affairs due to their mental incapacity. The Chief Officer Social Care is the appointee with the Department of Work and Pensions for each of the service users. The balance as at 31 March 2019 was £4,500k (£4,671k as at 31 March 2018) and this reflects the amount of money held by the Council on behalf of its service users.

Amenity Funds - Amenity funds represent funds held on behalf of establishments, such as day centres and residential homes. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts from families of clients and bequests from the estates of deceased clients. The balance as at 31 March 2019 was £3,676 (£2,102 as at 31 March 2018).

33. Provisions

	Current				Total Provision £'000	Non Current Landfill Provision £'000
	Insurance Provision £'000	MMI Insurance Provision £'000	Landfill Provision £'000	Benefits Subsidy Provision £'000		
Balance at 1 April 2018	(478)	(74)	(69)	(525)	(1,146)	(2,383)
Reduction in / (Additional) provisions made in 2018/19	(360)	0	(53)	0	(413)	53
Amounts used in 2018/19	351	6	57	0	414	0
Balance at 31 March 2019	<u>(487)</u>	<u>(68)</u>	<u>(65)</u>	<u>(525)</u>	<u>(1,145)</u>	<u>(2,330)</u>

The Council has made provision for anticipated expenditure as follows:

Insurance Provision - this is to meet anticipated excesses on claims.

MMI Insurance Provision - this is to meet 25% of the value of total claims payments exceeding £50k and estimated claims outstanding at 31 March 2019 in respect of the former Wrexham Maelor Borough Council and Clwyd County Council - see note 34 Notes to the Accounts.

Landfill Provision - the Landfill Directive (article 10) requires landfill sites to be monitored for a period of at least thirty years after closure and Natural Resources Wales requires costs to be calculated for sixty years after closure. A provision of £2,095k has been made for the aftercare costs of a number of sites within the County Borough. A further provision of £300k has been made to cover future capital works at the capped Llay landfill site.

Benefit Subsidy Provision - this is to meet any potential repayment of grant to the Department of Work and Pensions due to a number of issues arising from the audit of previous years claims.

34. Contingent Liabilities / Assets

a) Municipal Mutual Insurance Ltd (MMI) was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement ("the Scheme") with its Creditors was put in place. The former authorities of Wrexham Maelor Borough Council (WMBC) and Clwyd County Council (CCC) are creditors of MMI and are legally bound by the Scheme of Arrangement. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled.

The directors of MMI triggered the Scheme on 13 November 2012 and imposed an initial levy of 15%. On 16 March 2016 the levy was increased to 25%. The Council has recognised a provision for 25% of the outstanding claims as at 31 March 2019 in respect of WMBC and CCC (see note 33 Notes to the Accounts).

Although no further changes to the payment percentage and the levy rate are currently anticipated the projection of future claims is uncertain because of the nature of the claims that MMI is still receiving. A further levy of 10% would equate to approximately £407k.

b) Wrexham Commercial Services, a wholly owned subsidiary of the Council, has a net pension deficit of £974k as at 31 March 2019. This represents a contingent liability for the Council because, in the event of the failure of the company, the responsibility for making good any funding shortfall would fall back on the Council.

NOTES TO THE ACCOUNTS

35. Private Finance Initiatives and Similar Contracts (PFI)

The Council entered into a waste disposal PFI scheme with FCC Environment on 1 April 2009. Phase I facilities were operational by September 2009. On 28 March 2013 the Council entered into a new agreement with FCC, known as Wrexham Eco Park Phase II, which is based on a Mechanical Biological Treatment technology solution, treating a combination of residual waste, Household Waste Recycling Centre arisings, bulky and fly tipped waste and street sweepings. Phase II became operational in July 2015. The agreement with FCC Environment runs until 2038. The value of the assets held under the agreement are included in Property, Plant & Equipment based on costings in the operators financial model and are as follows:

	Land & Buildings £'000	Vehicles, Plant Furniture & Equipment £'000	Total £'000
Value at 1 April 2018	18,376	8,136	26,512
Additions	0	5	5
Revaluations / Impairment	0	0	0
Depreciation	(931)	(548)	(1,479)
Reclassification	81	(81)	0
Value at 31 March 2019	<u>17,526</u>	<u>7,512</u>	<u>25,038</u>

The details of the payments due to be made during the life of the scheme are as follows:

	Fair Value of Service Charge £'000	Interest & Contingent Rents £'000	Repayment of Liability £'000	Total Unitary Payment £'000
within one year	10,401	3,672	535	14,608
within two to five years	44,691	13,838	3,197	61,726
within six to ten years	63,334	16,308	5,618	85,260
within eleven to fifteen years	71,019	15,291	8,881	95,191
within sixteen to twenty years	62,857	10,899	7,073	80,829
	<u>252,302</u>	<u>60,008</u>	<u>25,304</u>	<u>337,614</u>

The service charge includes lifecycle replacement costs as included in the operators financial model. The payments for the forthcoming financial year have been estimated using a weighted average of the various indices stipulated in the contract. The rates used for 19/20 are based on the increases at 1 January 2019 for RPI 2.54%, RPIx 2.5%, Labour Index 3.54% and Derv Index of 0.86%. For subsequent years inflation of 2.5% has been assumed for all indices as assumed in the operator's financial model.

The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2017/18 £'000	2018/19 £'000
Balance Outstanding at 1 April	(26,073)	(25,614)
Payments during the year	765	806
Capital Expenditure incurred in the year	(254)	0
Other Movements	(52)	(496)
Balance Outstanding at 31 March	<u>(25,614)</u>	<u>(25,304)</u>

36. Leases

Finance Leases

Assets acquired under finance leases are carried as Vehicles, Plant, Furniture & Equipment in the Balance Sheet at the following net amounts:

	31/03/2018 £'000	31/03/2019 £'000
Vehicles, Plant, Furniture & Equipment	2,818	1,921
	<u>2,818</u>	<u>1,921</u>

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

NOTES TO THE ACCOUNTS

36. Leases cont'd

31/03/2018 £'000		31/03/2019 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
712	- current	704
1,360	- non current	656
135	Finance costs payable in future years	63
<u>2,207</u>	Minimum lease payments	<u>1,423</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2018 £'000	31/03/2019 £'000	31/03/2018 £'000	31/03/2019 £'000
Not later than one year	783	743	712	704
Later than one year and not later than five years	1,424	680	1,353	656
Later than five years	0	0	7	0
	<u>2,207</u>	<u>1,423</u>	<u>2,072</u>	<u>1,360</u>

Operating Leases

The Council leases land & buildings, vehicles, furniture and equipment under the terms of an operating lease. The future minimum lease payments due under non-cancellable leases in future years are:

31/03/2018 £'000		Vehicles, Furniture & Equipment 31/03/2019 £'000	Land & Buildings 31/03/2019 £'000	Total 31/03/2019 £'000
387	Not later than one year	679	236	915
1,267	Later than one year and not later than five years	959	666	1,625
24	Later than five years	0	36	36
<u>1,678</u>		<u>1,638</u>	<u>938</u>	<u>2,576</u>

The expenditure charged to the CI&ES during the year in relation to these leases is shown below.

Expenditure 2017/18 £'000		Expenditure 2018/19 £'000
1	Corporate and Central	1
81	Corporate and Customer Services	80
2	Finance	1
8	Housing Revenue Account	477
11	Adult Social Care	5
68	Education	60
3	Children's Social Care	1
241	Housing and Economy	227
154	Environment and Planning	337
<u>569</u>		<u>1,189</u>

The Council also leases out land and buildings to third parties, under operating leases, for economic development purposes and agricultural estates. The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/2018 £'000		31/03/2019 £'000
582	Not later than one year	447
2,307	Later than one year and not later than five years	2,077
1,820	Later than five years	1,053
<u>4,709</u>		<u>3,577</u>

NOTES TO THE ACCOUNTS

37. Transactions Relating to Post-employment Benefits

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

The Council participates in two post-employment schemes:

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

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund Panel. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the panel.

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

The cost of post employment benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made against council tax is based on the employers' contributions payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the CI&ES and the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Current service cost	22,252	21,600	0	0
Past service costs *	0	9,869	0	0
(Gain) / Loss from curtailments	211	1,001	0	0
<i>Other Operating Income and Expenditure:</i>				
Administrative expenses	746	779	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	6,305	6,055	795	775
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	29,514	39,304	795	775
<i>Other Post Employment Benefit Charged to CI&ES:</i>				
Remeasurement of the net defined benefit liability comprising:				
▪ Return on plan assets (excluding the amount included in the net interest expense)	(9,738)	(15,474)	0	0
▪ Actuarial gains and losses arising on changes in financial assumptions	(33,119)	46,111	(641)	992
Total Post Employment Benefit Charged to CI&ES	(13,343)	69,941	154	1,767
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(29,514)	(39,304)	(795)	(775)
<i>Actual amount charged against General Fund / HRA Balance for Pensions in year</i>				
Employers contributions payable to Clwyd Pension Fund scheme	<u>19,508</u>	<u>20,648</u>		
Retirement benefit payable to pensioners			<u>2,194</u>	<u>2,152</u>

McCloud Judgement - Estimated Impact on the Council's Pension Liability

* The December 2018 McCloud legal judgement about age discrimination could result in more public sector pension scheme members having increased levels of transitional protection following the change from final salary to career average schemes. The Government sought leave to appeal against this but on 27 June 2019 the Supreme Court upheld last year's ruling.

The Government Actuary's Department (GAD) is currently assessing the impact of the judgement but it is understood that it estimates it could be around 3.2% of a pension scheme's active liabilities based on a salary growth assumption of CPI plus 1.5%.

NOTES TO THE ACCOUNTS

37. Transactions Relating to Post-employment Benefits cont'd

The potential impact on the Council has been estimated as £9,869k. This is shown above and in the CI&ES as a past service cost and increases the Council's pension liability by the same amount. As the Council's liabilities are assumed to increase then the cost implication of the case will result in higher future employer contributions. Timescales for the resolution of this matter could be lengthy.

38. Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	806,357	886,236	30,870	30,485
Fair value of plan assets	(553,721)	(584,307)	0	0
	<u>252,636</u>	<u>301,929</u>	<u>30,870</u>	<u>30,485</u>
Other movements in the liability / (asset)	0	0	0	0
Net liability arising from defined benefit obligation	<u><u>252,636</u></u>	<u><u>301,929</u></u>	<u><u>30,870</u></u>	<u><u>30,485</u></u>

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

	Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Fair value of scheme assets at 1 April	528,665	553,721	0	0
Interest Income	13,833	14,658	0	0
Administrative Expenses	(746)	(779)	0	0
Remeasurement gain / (loss):				
▪ Return on plan assets (excluding the amount included in the net interest expense)	9,738	15,474	0	0
▪ Other	0	0	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	19,508	20,648	2,194	2,152
Contributions from employees into the scheme	3,976	4,238	0	0
Benefits paid	(21,253)	(23,653)	(2,194)	(2,152)
Fair value of scheme assets at 31 March	<u>553,721</u>	<u>584,307</u>	<u>0</u>	<u>0</u>

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

	Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Balance at 1 April	814,152	806,357	32,910	30,870
Current Service Cost	22,252	21,600	0	0
Interest Cost	20,138	20,713	795	775
Contributions from scheme participants	3,976	4,238	0	0
Remeasurement gains and (losses):				
▪ Actuarial losses / (gains) arising on changes in demographic assumptions	0	0	0	0
▪ Actuarial losses / (gains) arising on changes in financial assumptions	(33,119)	46,111	(641)	992
Past Service cost	0	9,869	0	0
Losses / (gains) on curtailment	211	1,001	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	(21,253)	(23,653)	(2,194)	(2,152)
Liabilities extinguished on settlements	0	0	0	0
Balance at 31 March	<u>806,357</u>	<u>886,236</u>	<u>30,870</u>	<u>30,485</u>

NOTES TO THE ACCOUNTS

38. Pensions Assets and Liabilities Recognised in the Balance Sheet cont'd

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets		Quoted
	2017/18 £'000	2018/19 £'000	
Cash and cash equivalents	6,645	1,169	Y
Equity instruments:			
▪ UK quoted	0	0	Y
▪ Global quoted	45,405	46,745	Y
▪ Emerging Markets	38,760	36,227	Y
▪ Frontier	0	0	Y
	<u>84,165</u>	<u>82,972</u>	
Bonds:			
▪ Overseas other	63,124	64,858	Y
▪ LDI	125,141	133,222	Y
	<u>188,265</u>	<u>198,080</u>	
Property:			
▪ UK	28,240	32,137	Y
▪ Overseas	7,198	6,427	Y
	<u>35,438</u>	<u>38,564</u>	
Other Investment funds:			
▪ Hedge Funds	46,513	43,823	Y
▪ Private Equity	57,033	67,195	Y
▪ Infrastructure	12,736	21,035	Y
▪ Timber & Agriculture	7,752	7,012	Y
▪ DGF	110,744	114,524	Y
▪ Private Credit	4,430	9,933	Y
	<u>239,208</u>	<u>263,522</u>	
Total assets	<u>553,721</u>	<u>584,307</u>	

39. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension scheme and discretionary benefits liabilities have been estimated by Mercers, an independent firm of actuaries, estimates for the Clwyd Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
▪ Men	23.1	23.2	23.1	23.2
▪ Women	25.6	25.7	25.6	25.7
Longevity at 65 for future pensioners:				
▪ Men	25.7	25.9		
▪ Women	28.3	28.4		
Rate of Inflation	2.10%	2.20%	2.10%	2.30%
Rate of Increase in salaries	3.35%	3.45%		
Rate of increase in pensions	2.20%	2.30%	2.20%	2.40%
Rate for discounting scheme liabilities	2.60%	2.40%	2.60%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. 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.

39. Basis for Estimating Assets and Liabilities cont'd

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in one year)	17,884	(17,884)
Rate of inflation (increase or decrease by 0.1%)	16,421	(16,421)
Rate of increase in salaries (increase or decrease by 0.1%)	2,518	(2,518)
Rate of increase in pensions (increase or decrease by 0.1%)	16,421	(16,421)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(16,126)	16,126

These estimations are based on the pension liability excluding the additional liability as a consequence of the McCloud judgement.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a period of 15 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates £21.95m of expected contributions payable to the scheme in 2019/20. The weighted average of the defined benefit obligation for scheme members is 18 years, 2018/19 (18 years 2017/18).

40. Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pension. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2018/19, the Council paid £6.8m to Capita Teachers' Pensions in respect of teachers' retirement benefits representing 16.4% of pensionable pay. There were no contributions remaining payable at 31 March 2019.

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by the Council. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees for the purpose of this Statement of Accounts and is therefore accounted for on the basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability.

41. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 11 and Note 5.

42. Unusable Reserves

	31/03/2018 £'000	31/03/2019 £'000
Deferred Capital Receipts Reserve	2	2
Revaluation Reserve	285,815	283,072
Capital Adjustment Account	371,193	373,365
Financial Instruments Adjustment Account	(1,029)	(1,460)
Pensions Reserve	(283,506)	(332,414)
Accumulated Absences Account	(1,336)	(1,829)
Total Unusable Reserves	371,139	320,736

43. Deferred Capital Receipts

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

	2017/18 £'000	2018/19 £'000
Balance at 1 April	3	2
Transfer to the Capital Receipts Reserve upon receipt of cash	(1)	0
Balance at 31 March	<u>2</u>	<u>2</u>

NOTES TO THE ACCOUNTS

44. Revaluation Reserve

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

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

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

2017/18 £'000		2018/19 £'000	
285,832	Balance at 1 April		285,815
7,887	Upward Revaluation of assets	4,862	
(4,193)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(3,096)	
3,694	Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services		1,766
(3,278)	Difference between fair value and historical cost depreciation	(3,345)	
(433)	Accumulated gains on assets sold or scrapped	(1,164)	
(3,711)	Amount written off to the Capital Adjustment Account		(4,509)
285,815	Balance at 31 March		283,072

45. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000		2018/19 £'000	
363,568	Balance at 1 April		371,193
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
(35,006)	- charges for depreciation, impairment and revaluation losses of non current assets	(35,068)	
(13)	- amortisation of intangible assets	(13)	
1	- income in relation to donated assets	0	
(1,543)	- revenue expenditure funded from capital under statute	(276)	
(2,808)	- amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(5,100)	
(39,369)			(40,457)
(15)	Transfers to / from Capital Receipts Reserve	(16)	
3,711	Adjusting amounts written out of the Revaluation Reserve	4,509	
(35,673)	Net written out amount of the cost of non current assets consumed in the year		4,493
	Capital financing applied in the year:		
1,709	- use of the Capital Receipts Reserve to finance new capital expenditure	899	
15,424	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,972	
243	- application of grants to capital financing from the Capital Grants Unapplied Account	241	
12,282	- statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13,472	
13,640	- capital expenditure charged against the General Fund and HRA balances	8,552	
43,298			38,136
371,193	Balance at 31 March		373,365

NOTES TO THE ACCOUNTS

46. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CI&ES when they are incurred, but reversed out of the General Fund / HRA Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund / HRA Balance in accordance with statutory arrangements for spreading the burden on council tax / housing rents. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2019 will be charged to the General Fund over the next 36 years.

<u>2017/18</u>		<u>2018/19</u>
<u>£'000</u>		<u>£'000</u>
(1,133)	Balance at 1 April	(1,638)
0	Premiums incurred in the year and charged to the CI&ES	0
104	Proportion of premiums incurred in previous financial years to be charged against the General Fund / HRA Balance in accordance with statutory requirements	178
104	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	178
<u>(1,029)</u>	Balance at 31 March	<u>(1,460)</u>
(609)	IFRS 9 Remeasurement - see Note 28 Notes to the Accounts	
<u>(1,638)</u>	Balance at 1 April	

47. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<u>2017/18</u>		<u>2018/19</u>
<u>£'000</u>		<u>£'000</u>
(318,397)	Balance at 1 April	(283,506)
43,498	Remeasurement of the net defined benefit liability / (asset)	(31,629)
(30,309)	Reversal of items relating to retirement benefits debited or credited to the Surplus Deficit on the Provision of Services in the CI&ES	(40,079)
21,702	Employer's pensions contributions and direct payments to pensioners payable In the year	22,800
<u>(283,506)</u>	Balance at 31 March	<u>(332,414)</u>

48. Accumulated Absences Account

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

<u>2017/18</u>		<u>2018/19</u>
<u>£'000</u>		<u>£'000</u>
(2,031)	Balance at 1 April	(1,336)
2,031	Settlement or cancellation of accrual made at the end of the preceding year	1,336
<u>(1,336)</u>	Amounts accrued at the end of the current year	<u>(1,829)</u>
695	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year chargeable in the year in accordance with statutory requirements	(493)
<u>(1,336)</u>	Balance at 31 March	<u>(1,829)</u>

NOTES TO THE ACCOUNTS

49. Cash Flow Statement - Adjustment to net surplus / deficit on the provision of services for non-cash movements:

2017/18 £'000		2018/19 £'000
(35,006)	Depreciation, impairment and revaluation losses of non-current assets	(35,068)
(13)	Amortisation of intangible assets	(13)
(6)	Increase / (Decrease) in inventories	195
18,985	Increase / (Decrease) in debtors and current intangible assets	(10,394)
3,166	(Increase) / Decrease in creditors	(3,649)
(8,607)	Transfer to / (from) pensions reserve	(17,279)
235	Transfer from / (to) provisions	54
(82)	Amortisation of borrowing / long term debtors	(8)
(2,808)	Carrying amount of non-current assets held for sale, sold or derecognised	(5,100)
<u>(24,136)</u>		<u>(71,262)</u>

50. Cash Flow Statement - Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2017/18 £'000		2018/19 £'000
2,840	Proceeds from sale of non current assets	5,247
15,493	Capital Grants and Contributions credited to income and expenditure	17,230
(1,543)	Revenue Expenditure funded from capital under statute	(276)
<u>16,790</u>		<u>22,201</u>

51. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
(33)	Interest received	(48)
17,803	Interest paid	17,911

52. Cash Flow Statement - Investing Activities

2017/18 £'000		2018/19 £'000
64,319	Purchase of property, plant, equipment, investment property and intangible assets	54,379
0	Purchase of short-term and long-term investments	15,290
2,972	Other payments for investing activities	3,625
(2,840)	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	(5,247)
(2,000)	Proceeds from short-term and long-term investments	0
(19,153)	Other receipts from investing activities	(18,686)
<u>43,298</u>	Net cash flows from investing activities	<u>49,361</u>

53. Cash Flow Statement - Financing Activities

2017/18 £'000		2018/19 £'000
(123,013)	Cash receipts of short-term and long-term borrowing	(105,525)
(996)	Other receipts from financing activities	0
1,697	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,518
78,787	Repayments of short-term and long-term borrowing	101,432
0	Other payments for financing activities	546
<u>(43,525)</u>	Net cash flows from financing activities	<u>(2,029)</u>

NOTES TO THE ACCOUNTS

54. Grant Income

The Council credited the following grants, contributions and donations to the CI&ES:

	2017/18	2018/19
	£'000	£'000
Credited to Taxation and Non Specific Grant Income:		
Non Domestic Rates	43,628	43,090
Revenue Support Grant	125,819	131,546
Major Repairs Allowance Grant	7,565	7,572
General Capital Grant	1,313	3,163
Transport Grant	173	0
School Maintenance Grant	0	1,083
21st Century Schools	866	1,943
Homeless Prevention Grant	0	120
Collaborative Change Programme	588	488
Road Refurbishment Programme	1,114	744
Flying Start	155	110
Vibrant and Viable Places Regeneration	540	0
Road Safety Grant	135	172
Local Transport fund	182	196
Other Capital Grants and Contributions	2,793	1,420
Wrexham Veterans' Societies - heritage asset donation	1	0
	<u>184,872</u>	<u>191,647</u>
Credited to Services:		
Welsh Government - General Capital Grant	817	950
Housing Renewal Specific Grant	200	665
Eco Arbed Projects	27	0
School Maintenance Grant	0	681
Waste Strategy Grant	2,536	861
Supporting People Grant	4,981	5,014
Education Improvement Grant	4,922	4,656
Post 16 Provision in schools	1,432	1,267
Flying Start	3,092	3,033
Concessionary Fares re-imburement grant	2,359	2,476
Substance Misuse Action Fund	4,932	4,924
Families First PION	1,665	1,655
Social Care Workforce and Sustainability	0	608
Other	5,544	4,728
Department of Work and Pensions	42,001	37,472
Other	15,775	17,254
	<u>90,283</u>	<u>86,244</u>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year end are as follows:

Current Liabilities:	31/03/2018	31/03/2019
	£'000	£'000
Grants Receipt in Advance - Capital:		
Welsh Government Schools Challenge Cymru	10	10
Local Regeneration Fund	21	21
School Buildings Improvement Grant	44	44
Flying Start	32	32
Collaborative Change Programme	1,411	750
Childcare Offer Grant	0	292
Other	5	5
Other Heritage Lottery Fund	1	1
	<u>1,524</u>	<u>1,155</u>
Grants Receipt in Advance - Revenue:		
Welsh Government - Free Nursing Care Funding	0	55
Education - PDG Access Element	0	4
Community First - Urban Villages/ Caia Hightown	2	0
Retail Relief Grant	5	0
PCC Community	3	0
Other	27	5
	<u>37</u>	<u>64</u>

NOTES TO THE ACCOUNTS

55. Nature of Expenses

	2017/18 £'000	2018/19 £'000
Fees, Charges & Other Service Income	(73,386)	(75,037)
Interest and Investment Income	(13,866)	(14,726)
Income from Council Tax	(61,723)	(64,703)
Grants and Contributions	(275,155)	(277,891)
Total Income	(424,130)	(432,357)
Employee expenses	146,570	151,427
Employee expenses of VA & Foundation schools	12,664	13,238
Other service expenses	171,019	182,366
Depreciation, amortisation, impairment and revaluation losses	35,019	35,081
Interest payments	38,864	40,279
Precepts & Levies	22,195	22,924
Other	746	779
Gain or Loss on Disposal of Non Current Assets	(32)	(132)
Total Expenditure	427,045	445,962
Surplus or deficit on the provision of services	2,915	13,605

56. Segmental Income

Fees, Charges & Other Service Income on a segmental basis is analysed below:

	2017/18 £'000	2018/19 £'000
Environment & Planning	(5,357)	(5,397)
Housing & Economy	(6,464)	(6,253)
Housing Revenue Account (see page 61)	(50,290)	(52,664)
Adult Social Care	(6,965)	(6,661)
Children's Social Care	(46)	(36)
Education	(1,333)	(1,019)
Schools	(953)	(1,107)
Corporate & Customer Services	(738)	(510)
Finance	(777)	(870)
Repairs & Maintenance	0	(6)
Corporate & Central	(463)	(514)
Total Services	(73,386)	(75,037)

57. Joint Arrangements and Joint Committees

The Council is currently involved in a number of joint arrangements with neighbouring North Wales authorities, for example:

a) North East Wales Community Equipment Service (Flintshire County Council (host partner) and Betsi Cadwaladr University Health Board) see note 13 Notes to the Accounts.

b) GwE with Gwynedd County Council as the lead authority and with responsibility for preparing the Joint Committee's financial statements. The Council's contribution for 2018/19 was £778k (£770k in 2017/18). The Council has not included its share of the net liabilities of GwE in the accounts as these are considered to be immaterial. The GwE financial statements can be accessed by the following link:
http://www.gwynedd.gov.uk/qwy_doc.asp?cat=8204&doc=31949&language=1&p=1&c=1

c) Clwydian Range and Dee Valley Area of Natural Beauty (AONB) is a joint committee of the Council, Denbighshire County Council (lead authority) and Flintshire County Council to oversee the management of the AONB. The Council's contribution for 2018/19 was £26.5k (2017/18 £26.5k).

The Council has not included its share of the AONB's assets in the accounts as these are considered to be immaterial.

58. Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) (Amendment) Regulations 2018 which require the accounts to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

1. ACCRUALS OF INCOME AND EXPENDITURE

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

- a) Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- b) 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.
- c) 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.
- d) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than cash flows fixed or determined by the contract.
- e) Where revenue and expenditure has 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.

2. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

3. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

4. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

5. EMPLOYEE BENEFITS**Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable, as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. The benefits are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Council employees are members of two separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions
- the Local Government Pension Scheme, administered by Flintshire County Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it is a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools, Education and Children Services lines in the CI&ES are charged with the employer's contributions payable to the Teachers' Pensions in the year.

The Local Government Pension Scheme

All other staff are entitled to become members of the Local Government Pension Scheme (Clwyd Pension Fund), which is administered by Flintshire County Council.

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

- The liabilities of the Clwyd Pension Fund attributable to the Council 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 and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value, as determined by the Fund's actuary:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CI&ES to the services for which the employees worked.
 - 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 on the Provision of Services in the CI&ES as part of the Corporate & Central segment.
 - net interest on the net defined liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CI&ES – this is calculated by applying the discount rate used to measure the defined 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 liability (asset) during the period as a result of contribution and benefit payments.
 - remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - contributions paid to the Clwyd Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 General Fund / HRA of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Discretionary Benefits

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

6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- a) 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.
- b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

7. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CI&ES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument, to the amount at which it was originally recognised.

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

However, the Council has made loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CI&ES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the

outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund / HRA Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CI&ES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a twelve month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on its obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of twelve month expected losses.

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

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

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

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

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

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

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

8. FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling, at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Finance and Investment Income and Expenditure line in the CI&ES.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

- the Council will comply with the conditions attached to the payment, and
- the grants and contributions will be received

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund / HRA Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

10. HERITAGE ASSETS – Tangible and Intangible Heritage Assets

The Council's Heritage Assets are held in the Wrexham County Borough Museum, at the Bersham Heritage Centre, archaeological sites in the County Borough and at the Guildhall in Wrexham. Heritage assets which are held in support of the primary objective of the Council's Heritage Service, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant & Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

a) Civic Regalia

The collection of civic regalia includes mayoral chains and badges and a mace. These items are reported in the Balance Sheet at insurance valuation by Bonhams of Chester in November 2012.

b) Museum Object Collection

Archaeology - The archaeological artefacts collection includes a small number of items. Two of which are reported in the Balance Sheet; the Llay Hoard of coins are valued at insurance valuation (reviewed on an annual basis) and the Rossett Hoard, purchased in 2003, is included at historical cost.

Social History - The social history collection aims to represent the daily life of the people of Wrexham County Borough. Themes covered by the collection include the home, religion, work life, sports and leisure pursuits, the stages of life, health, local clubs and societies. The collection includes a small number of items of antique silver and mayoral items and are reported in the Balance Sheet at cost or insurance valuation, the latest of which was provided by Bonhams of Chester in December 2012. These insurance valuations are reviewed on an annual basis.

Industrial and Economic History:

Clocks and Watches - These are reported in the Balance Sheet at insurance valuation, based on market values, the latest of which were provided by Bonhams of Chester in December 2012. These insurance valuations are reviewed on an annual basis.

Miscellaneous Objects - The collection includes an Edwardian numismatic cabinet and a Powell Brothers motorbike which have been valued at insurance valuation and reviewed annually.

Fine and Decorative Art - The art collection includes paintings, prints, etchings and works of art and is reported in the Balance Sheet at insurance valuation, based on market value, the latest of which was provided by Bonhams of Chester in December 2012.

Natural History - The museum currently holds a small collection of natural history objects in the form of preserved zoology and geology.

Military History - The medals collection is reported in the Balance Sheet at insurance valuation, based on market values, the latest of which was provided by Bonhams of Chester in December 2012. These insurance valuations are reviewed on an annual basis.

Welsh Football Collection - The football collection includes the John Charles collection and other Welsh football items. These are reported in the Balance Sheet at insurance valuation, based on market values, the latest of.

which was provided by Bonhams of Chester in December 2012.

c) Archaeological Sites

Sites include Bersham Colliery and Headgear, Minera Lead Mines, Holt Castle, Sections of Offa's Dyke at Wrexham Crematorium and Ruabon High School and of Watt's Dyke at Watt's Dyke School, Garden Village and Wrexham Cemetery.

d) Statuary and Monuments

In the opinion of the Council, statuary and monuments cannot be valued because of their diverse and often unique nature. With the exception of Y Bwa, which is recognised at historical cost, cost information is not available and conventional valuation approaches lack sufficient reliability.

e) Site of Special Scientific Interest (SSSI) – Stryt Las, Johnstown

In the opinion of the Council, the SSSI cannot be valued because of its unique nature. Cost information is not available and conventional valuation approaches lack sufficient reliability.

Heritage Assets – General

It is the Council's opinion that due to the indeterminate life of Heritage Assets and often significant residual values that the charging of depreciation would not be appropriate as it would be negligible and therefore not material. When Heritage Assets are acquired for the collection they are recognised at cost, donations being recognised at valuation; the valuations are provided by internal valuers where appropriate, or externally where the expertise is not held within the Council. Where considered apposite future valuations are carried out by external valuers with reference to commercial markets, or using the most relevant and recent information from sales and auctions. For other items in the collection, the Council considers that obtaining valuations would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 19 on pages 54 to 56 in this summary of significant accounting policies. The Heritage Service will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of Property, Plant & Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 19 on pages 55 to 57 in this summary of significant accounting policies).

11. INTANGIBLE ASSETS

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CI&ES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&ES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund / HRA Balance. The gains and losses are therefore reversed out of the General Fund / HRA Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Usable Capital Receipts Reserve.

12. INTEREST IN COMPANIES AND OTHER ENTITIES

The Council has interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities. The Council is therefore required to prepare Group accounts unless the overall impact on the Group accounts is not material. The Council reviews annually the extent to which other entities (over which the Council has a controlling interest) need to be consolidated into Group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

13. LOCAL AUTHORITY SCHOOLS

The Council does not include schools' property, plant and equipment in its Balance Sheet where it does not own or have significant control over the economic benefits of these assets. This means that property, plant and equipment of Voluntary Controlled and Voluntary Aided schools are not recognised on the Council's Balance Sheet, whereas the property, plant and equipment of community and foundation schools are recognised on the schools' own 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.

14. INVENTORIES AND LONG TERM CONTRACTS

Stock and stores held at the year-end are recorded at cost price. This is a departure from the requirements of the Code which require stocks to be shown at the lower of cost and net realisable value. However, the amounts concerned are not considered material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15. INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Usable Capital Receipts Reserve.

16. JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

17. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a) a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- b) a finance charge (debited to the Financing and Investment Income and Expenditure line in the CI&ES).

Property, Plant & Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. A gain representing the Council's net investment in the lease, is credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a) a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- b) finance income (credited to the Finance and Investment Income and Expenditure line in the CI&ES).

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

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

Operating Leases

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

18. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

19. PROPERTY, PLANT & EQUIPMENT

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the CI&ES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CI&ES, they are reversed out of the General Fund / HRA Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure and community assets – depreciated historical cost
- assets under construction – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before the date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant & Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). An asset's useful life is reviewed as a part of the Council's cyclical revaluation process.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, estimated to be 5 years for general vehicles, plant, furniture and equipment and 20 years for solar panels
- infrastructure – straight-line allocation over a period of 40 years.

Where an item of Property, Plant & Equipment has an estimated annual depreciation charge in excess of £100k and has major components then the components are depreciated on a separate basis if:

- a. the cost of the component is estimated to be greater than 20% of the total cost of the asset or
- b. the expected life of the component is significantly different (+/-25%), from the expected life of the main asset (or host), subject to a minimum of 10 years.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

20. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant & Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's Waste Management scheme, the liability was written down by an initial capital contribution of £16.9m for Phase I which became operational during September 2009 and £16.3m for Phase II which became operational during July 2015.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amount payable to the PFI operator each year is analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CI&ES
- finance cost – an interest charge of 12.6% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CI&ES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CI&ES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

21. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and, where it becomes likely that a payment will not be required, the provision is reversed and credited back to the relevant service. Where some, or all, of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes, or to cover contingencies. Reserves are created by transferring amounts out of the General Fund / HRA Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CI&ES. The reserve is then transferred back into the General Fund / HRA Balance in the Movement in Reserves Statement so that there is no net charge against council tax / HRA rents for the expenditure.

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

23. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

24. VALUE ADDED TAX (VAT)

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

25. CARBON REDUCTION COMMITMENT ALLOWANCES

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in the third year of its second phase which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the Corporate & Central segment line.

26. TAX INCOME (COUNCIL TAX AND NON DOMESTIC RATES (NDR))

The Council collects NDR on behalf of the Welsh Government and pays the money collected from local businesses into the Welsh Government National Pool. This is then re-distributed back to Councils on the basis of a fixed amount for every person living in their area. It is an agency arrangement and the transactions are accounted for as follows:

- a) NDR income is not the income of the Council and is not included in the CI&ES. However, the cost of collection allowance received by the Council is included as income in the CI&ES.
- b) NDR debtor and creditor balances with taxpayers and any impairment allowance for doubtful debts are not assets / liabilities of the Council and are not recognised in the Balance Sheet.
- c) The difference between the cash collected from NDR taxpayers and the amount paid into the NDR pool is included within financing activities in the Cash Flow Statement.

Council tax income net of the Council Tax Reduction Scheme expenditure is included in the CI&ES within the Taxation and Non Specific Grant Income line. Council Tax debtors and creditors and impairment allowance for doubtful debts are wholly included in the Balance Sheet.

27. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties 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:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council 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 economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

27. FAIR VALUE MEASUREMENT CONT'D

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

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

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

HRA INCOME AND EXPENDITURE STATEMENT

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

2017/18 £'000		Notes	2018/19	
			£'000	£'000
	Expenditure			
16,886	Repairs and Maintenance		20,137	
5,034	Supervision and Management		5,269	
2,240	Special Services		2,417	
77	Rent, rates, taxes and other charges		118	
17,102	Depreciation, impairment and revaluation losses of non-current assets	6	16,628	
61	Debt management costs		60	
0	Sums directed by the Welsh Government	7	0	
370	Increase in bad debt provision	3	0	
41,770	Total Expenditure			44,629
	Income			
(47,073)	Dwelling Rents		(49,248)	
(959)	Non-dwelling rents		(1,011)	
(2,252)	Charges for services and facilities		(2,385)	
(6)	Other Income		(20)	
(50,290)	Total Fees, Charges and Other HRA Service Income		(52,664)	
(819)	Contribution towards expenditure	9	(846)	
(51,109)	Total Income			(53,510)
(9,339)	Net Income of HRA Services as included in the Comprehensive Income & Expenditure Statement (CI&ES)			(8,881)
0	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services			0
(9,339)	Net Income of HRA services			(8,881)
	HRA share of the Operating Income and Expenditure included in the CI&ES			
0	Loss / (Gain) on sale of HRA non-current assets			0
9,341	Interest payable and similar charges	3		10,502
(17)	Interest and investment income			(31)
896	Pensions net interest and administrative expenses	8		921
(7,843)	Capital Grants and contributions receivable			(7,735)
(6,962)	(Surplus) / Deficit for the year on HRA services			(5,224)

MOVEMENT ON THE HRA STATEMENT

2017/18 £'000	Notes	2018/19	
£'000	Notes	£'000	£'000
6,001	Balance on the HRA at 1 April		5,030
6,962	(Deficit) / Surplus for the year on the HRA Income & Expenditure Statement	5,224	
(7,933)	Adjustments between accounting basis and funding basis under Statute (see below)	(5,230)	
(971)	Net Increase / (Decrease) before transfers to or from reserves		(6)
0	Transfers (to) / from Earmarked Reserves		0
(971)	Increase / (Decrease) in year on the HRA		(6)
5,030	Balance on the HRA at 31 March		5,024
 Adjustments between accounting basis and funding basis under Statute:			
Adjustments primarily involving the Capital Adjustment Account:			
<u>Reversal of items debited or credited to the CI&ES</u>			
17,102	Charges for depreciation, impairment and revaluation losses of non current assets	16,628	
5	Revenue expenditure funded from capital under statute - Other	5	
(7,843)	Capital grants and contributions applied	(7,735)	
2,291	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	3,751	
<u>Insertion of items not debited or credited to the CI&ES</u>			
(6,545)	Statutory provision for the financing of capital investment	(7,702)	
(11,850)	Capital Expenditure funded from HRA balances	(7,600)	
Adjustments primarily involving the Capital Receipts Reserve:			
(2,291)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA I&E Statement	(3,751)	
0	Revenue Income defined as capital under statute	(15)	
Adjustments involving the Financial Instruments Adjustment Account:			
5	Amount by which finance costs charged to the HRA I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	
Adjustments involving the Pensions Reserve:			
3,516	Reversal of items relating to retirement benefits debited or credited to the HRA I&E Statement - see note 8	3,725	
(2,342)	Employer's pension contributions payable in the year	(2,528)	
Adjustments involving the Accumulated Absences Account:			
19	Amount by which officer remuneration charged to the HRA I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)	
(7,933)		(5,230)	

NOTES TO THE HRA STATEMENTS

1. Housing Stock

The total housing stock of the County Borough was as follows:-

As at 31/03/18		As at 31/03/19
6,961	Houses	6,927
1,052	Bungalows	1,051
2,486	Flats	2,486
657	Warden Controlled Units	656
<u>11,156</u>		<u>11,120</u>

2. Rent Arrears

The total amount of rent arrears at 31 March 2019 was £2,035k. The corresponding figure for 31 March 2018 was £1,714k.

3. Impairment Allowance for Doubtful Debts

The Impairment Allowance for Doubtful Debts was increased by a charge to the I&E account of £544k in 2018/19 to give a balance at the year end of £1,489k. In accordance with IFRS 9, the Impairment Allowance for Doubtful Debts is disclosed as Impairment Losses within Interest Payable and Similar Charges in the HRA Income and Expenditure Statement and within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

4. Capital Financing Statement

A summary of total capital expenditure within the HRA during the year with the sources of funding.

2017/18 Total Capital Investment £'000		Council Dwellings £'000	Vehicles, Plant & Equipment (Solar PV) £'000	2018/19 Other Land & Buildings, Assets under Construction £'000	Revenue Expenditure funded from Capital under Statute £'000	Total Capital Investment £'000
49,936	Expenditure in Year	40,983	0	686	5	41,674
(491)	Add: Movement in Capital accrual	555	0	5	0	560
<u>49,445</u>		<u>41,538</u>	<u>0</u>	<u>691</u>	<u>5</u>	<u>42,234</u>
	Financed by:-					
7,565	Major Repairs Allowance Grant	7,572	0	0	0	7,572
278	Other Capital Grants and Contributions	163	0	0	0	163
11,850	Capital Expenditure Charged to Revenue	7,058	0	541	0	7,599
752	Capital Receipts	895	0	0	5	900
29,000	Borrowing - Unsupported	25,850	0	150	0	26,000
<u>49,445</u>		<u>41,538</u>	<u>0</u>	<u>691</u>	<u>5</u>	<u>42,234</u>

The Major Repairs Allowance Grant received for the year was allocated in full with no balances being carried forward.

5. Capital Receipts Statement

A summary of total HRA capital receipts received during the year:

2017/18 £'000		2018/19 £'000
2,291	Sale of Council Houses	3,747
0	Sale of Council Houses - Discount Repaid	4
1	Mortgages Repayment	0
0	Sale of Land and Other Property	15
<u>2,292</u>		<u>3,766</u>

NOTES TO THE HRA STATEMENTS

6. Depreciation, amortisation, impairment and revaluation losses of non-current assets

2017/18	Total £'000	2018/19			Total £'000
		Depreciation £'000	Impairment £'000	Revaluation Losses £'000	
	Non-Current Assets				
15,567	Dwellings	11,583	3,401	0	14,984
975	Other Land and Buildings	921	145	21	1,087
560	Vehicles, Plant & Equipment	557	0	0	557
<u>17,102</u>		<u>13,061</u>	<u>3,546</u>	<u>21</u>	<u>16,628</u>

A review of all HRA Capital Expenditure incurred during the year was undertaken to which the Impairment charged to the HRA Income and Expenditure Statement relates. The Revaluation Losses relates to the site of the former Rhos Housing Estate Office which was included within Council's rolling programme of revaluations carried out during the year.

The depreciation, amortisation, impairment and revaluation loss charges in respect of HRA non-current assets are not an actual charge against the HRA balance. They are reversed out in the Movement on the HRA Balance, with the depreciation charge being replaced with the HRA Minimum Revenue Provision (MRP) to meet credit liabilities, as required by the Local Authority (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2018. The MRP is calculated by reference to the overall indebtedness of the HRA.

7. Sums Directed by the Welsh Government

There were no deductions in the Rent Rebate Subsidy by the Department for Work and Pensions (DWP) in 2018/19, as the Council's rents were within the DWP limit for rent.

8. Transactions Relating to Retirement Benefits

The policy on accounting for pension costs has been applied to the HRA (see page 47).

The cost of post employment benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made on the HRA is based on the employers' contributions payable in the year, so the real cost of post employment benefits is reversed out in the Statement of Movement in the HRA Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the HRA Balance during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Current service cost	2,619	2,692	0	0
Curtailment loss	1	112	0	0
<i>Other Operating Income and Expenditure</i>				
Administrative Expenses	88	97	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	742	755	66	69
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>3,450</u>	<u>3,656</u>	<u>66</u>	<u>69</u>
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,450)	(3,656)	(66)	(69)
<i>Actual amount charged against HRA Balance for Pensions in year:</i>				
Employers contributions payable to Clwyd Pension Fund scheme	<u>2,196</u>	<u>2,379</u>		
Retirement benefit payable to pensioners			<u>146</u>	<u>149</u>

9. Contribution towards expenditure

This relates to Supporting People Grant which is used to fund the Tenancy Support services (£310k) and the housing related support element of Sheltered Housing (£508k). Also included for 2018/19 is the Affordable Housing Grant (£28k) which is given as a revenue contribution towards the costs incurred in the development and maintenance of Affordable Council Housing.

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Wrexham County Borough Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. Wrexham County Borough Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, 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 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Wrexham County Borough Council as at 31 March 2019 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.

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 Wrexham County Borough Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to Going Concern

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 Wrexham County Borough 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;
- 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.

THE INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF WREXHAM COUNTY BOROUGH COUNCIL

Matters on which I report by exception

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

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

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

Certificate of Completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, 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 Wrexham County Borough 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. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
31 July 2019

24 Cathedral Road
Cardiff
CF11 9LJ

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

Annual Governance Statement

for year ended 31 March 2019



Foreword

“To ensure that Wrexham and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being”.

This is the Council’s stated purpose as contained in the Council Plan for 2018-22. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of shrinking public sector finances while at the same time, planning for a sustainable future.

Effective corporate governance is essential to support the Council in meeting these challenges.

All who use our services and all who pay for them, together with our suppliers and partners, must be able to have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

While our corporate governance arrangements have been effective in supporting the Council through the many changes it has gone through in recent years, we will ensure that this continues to be the case in 2019-20 and into future years as we continue to meet our challenges.

As always, there are some opportunities for improvement which have been identified as a result of our monitoring and review arrangements. We will ensure that the necessary action is taken to address these.



**Ian Bancroft,
Chief Executive**



**Councillor
Mark Pritchard, Leader**



What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act.

The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.

What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2019, complied with its Governance Code and the requirements of the Accounts and Audit (Wales) Regulations 2014. It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2019-20 period.

The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

This statement is also published in Welsh.

1. The Council's Governance Responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control¹, and for reviewing the effectiveness of those arrangements.

The Council's Governance Code, which was renewed in 2017 in accordance with the new governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved. The Code is on our website ([click here](#)), or can be obtained from the Head of Finance.

Wrexham County Borough Council Governance Code (2017)
Our commitment to good governance is made across the following core principles:
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of intended outcomes.
E. Developing the Council'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.

¹ A process to ensure that objectives will be achieved



2. The Governance Framework

The governance framework consists of the systems and processes by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It also includes our values and culture.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. The Framework is summarised in the diagram overleaf.

As the Council improves the way it provides services, it is important that the governance arrangements remain robust but also flexible and proportionate.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Executive Board or Council as appropriate.

Some of the key elements of the governance framework are highlighted on the next pages.

The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

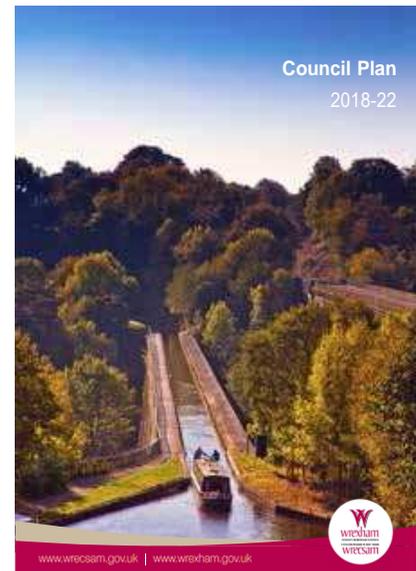


The Council Plan

The Council Plan for 2018-22, which is updated annually, sets out our overall purpose - 'to ensure that Wrexham and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'. It helps us to focus our resources and drive improvement, and sets out where we will focus our energies and our increasingly limited resources and how we will judge our performance.

The Plan sets out seven principles which we consider in the planning and delivery of services (see next page). These reflect the sustainable development principles contained in the Well-being of Future Generations Act (Wales) 2015 and are based on the five ways of working defined within this and other key Acts².

The Plan is the means by which the Council has published its 'wellbeing statement', explaining how objectives will contribute to the wellbeing goals for Wales and how they will be achieved. Objectives and target outcomes are set within three strategic themes – Economy, People and Place – and the corporate theme of Organisation.



Evaluating Performance

Performance is summarised in 'Focused on Our Performance,' the Council's annual self-evaluation of progress against the Council Plan.

The Wales Audit Office, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their Annual Improvement Report.

The Council's schools, education and training services are assessed by Estyn³ on an ongoing schedule, and our social services are subject to ongoing review by the Care Inspectorate Wales.

Social Media - Join The Conversation!

Join the conversation on all aspects of Wrexham Council services and activities.

The Council provides its customers access to our services and information in the most appropriate Social Media channels.



²The Social Services and Well-being Act (Wales) 2014 and the Environment (Wales) Act 2016

³ Her Majesty's Inspectorate for Education and Training in Wales

Our Council Principles



How can we balance today's demands with our ability to meet Wrexham's long term needs?

What can we do to prevent problems occurring or stop them getting worse?

How can we work with local people and communities to shape services?



What can we do to actively work with other Council Departments?



How can we make sure our partnerships work?



Are information and services equally available in English and Welsh?



How can we identify and prioritise the most vulnerable people in our communities?

Managing Risk

The management of risk is key to achieving what is set out in the Council Plan and to ensuring that we meet all of our responsibilities.

Our Risk Management Policy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact.

Members and senior management identify the principal risks to the Council Plan's outcomes. These, together with the significant risks to planning and delivering services are recorded in risk registers, which also record the controls necessary to manage the risks.

The registers are regularly reviewed and challenged by senior management and by the Audit Committee in order to ensure that, as far as possible all significant risks have been identified and that the controls manage the risks efficiently, effectively and economically.

All members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important in meeting the Council's financial challenges.

'Brexit'

At the time of writing this Statement, the timing and nature of the UK's withdrawal from the European Union were still uncertain. The Council has nevertheless considered the risks of this across its range of services. The risks are regularly reviewed and updated as the situation develops and where necessary, suitable mitigating action will be implemented.

Principal Risks 2019-20

1. Those to whom the Council owes a duty of care suffer a preventable death, serious injury or serious abuse
2. There is increased social exclusion and social deprivation
3. The physical environment of the County Borough deteriorates / fails to improve
4. Revenue and capital resources are insufficient to achieve stated priorities and meet obligations at a time of increasing demand for services
5. The Council lacks the knowledge, skills, capacity, culture and ability to modernise in order to continue to meet its priorities and responsibilities
6. Service quality fails to meet customer expectations and / or required service standards
7. The Council fails to comply with its statutory and governance requirements
8. Service delivery and / or the welfare of citizens is significantly impacted by external or physical events
9. The Council is destabilised due to political (internal or external) events and developments

Decision Making and Responsibilities

The Council consists of 52 elected Members, with an Executive Board of Lead Members who are supported and held to account by Scrutiny Committees.

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

It is updated annually to take account of changing circumstances, but in 2018-19, the Council started a more comprehensive review in line with national guidance.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Chief Officer – Governance and Customer) and 'Section 151 Officer' (Chief Officer – Finance and ICT) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Equality

The Council is committed to delivering equality and improving the quality of life for the people of Wrexham County Borough. Our Strategic Equality Plan helps us to ensure that we prioritise those who may be vulnerable to discrimination.

Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

Open Policy and Decision-making

All Council, Executive Board and Planning Committee meetings can be viewed live on the website's webcasting page ([click here](#)) and the webcasts are accessible for six months.

Also, meetings of the Council, Executive Board and the main Committees are open to the public except where exempt or confidential matters are being discussed, and all reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website.

The Council's Forward Work Programmes contain information about all matters that are likely to be the subject of a decision taken by the full Council or the Executive Board during the forthcoming four month period. They also contain information about matters that will be considered by the Scrutiny Committees.

Financial Management

The Chief Officer – Finance and ICT is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and bi-monthly budget / actual reports to all Members.

Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Reserves Strategy enables the Council to meet its statutory requirements and sets out the different types of reserve, how they may be used and the monitoring arrangements.

The Medium Term Financial Plan sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years.

Despite our established success in delivering savings, the Council faces the challenge of designing a sustainable budget for the future in the face of continuing Government cuts to public spending. We estimate a funding shortfall of around £16m over the period 2018-9 - 2019-20. We have therefore developed a Change Programme to improve efficiency and reshape our services whilst maintaining our commitment to the most vulnerable. This involves taking a fundamental look at all areas of the Council's work, reprioritising services, reducing services, ceasing services, considering different ways of delivering services and working more effectively with other organisations.

The current budget is available on our website ([click here](#))



This budget consultation has been conducted for several years to increase public understanding of the scale the financial challenges, explain what is being done to save money and to obtain opinion on proposals for further savings.

The results are taken account of by members when making the final decisions on the budget.

On our website we publish the results of previous such consultations - what has happened since on what effect their views have had. (You said / we did)

Commissioning and Procurement of Goods and Services

The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

Our Commissioning, Procurement and Contract Management Strategy sets out the vision and direction for commissioning, procurement and contract management across the Council.

Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Contract Procedure Rules which form part of the Council's Financial Regulations.



Managing Information

In order to set a direction for the effective governance, efficient management and use of information and data under its control, the Council's Information Management Strategy for 2016 – 2019 explains how the we will deal with the creation, storage, access, protection and lifecycle of information and data.

Information is central to the Council and its decision making processes and it therefore needs to be accurate and accessible to those who need it at the time and place that is required. The Council also recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

In order to ensure that we are meeting the requirements of the General Data Protection Regulation regarding the collection, use and transfer of personal data, a Corporate Project was established in 2017 to ensure compliance across all parts of the Council's activities and to raise awareness amongst all staff.

Freedom of Information

Details of how to access information held by the Council and its Freedom of Information Policy are available on the [Council's website](#)

Audit and Audit Assurances

The Council is externally audited by the Wales Audit Office. In accordance with their statutory requirements, their annual audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. In 2018 the External Auditor gave an unqualified audit opinion on the financial statements.

The Internal Audit Service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Audit Committee approve the Internal Audit Charter, which sets out the Internal Audit role and its responsibilities and clarifies its independence, and the planned audit coverage.

The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2018-19 was:

"I am able to give assurance to the Audit Committee and management that the Council's control environment is generally effective in achieving the organisation's objectives."

The opinion notes, however, that there is an ongoing need across the Council to ensure awareness of and compliance with corporate policies and procedures and to ensure that governance processes are effective in delivering agreed outcomes in support of the Council Plan.

The **Audit Committee** provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 12 Councillors appointed annually on a politically balanced basis by the Council and 1 independent Member appointed by the Council.

Its main functions include:

- Agreeing the Annual Governance Statement and the Annual Statement of Accounts,
- Overseeing Internal Audit's independence, objectivity, performance and professionalism and supporting the effectiveness of Internal Audit
- Considering the effectiveness of Risk Management, including the risks of bribery, fraud and corruption
- Monitor the effectiveness of value for money arrangements
- Considering the reports of External Auditors and Inspectors.

The Audit Committee's effectiveness is regularly reviewed either through self-assessment against best practice or by the Wales Audit Office.

Conduct

Our [Codes of Conduct for Members](#) and for Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements.

These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests.

Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council has a Whistleblowing Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace. Full details are provided on the Council's website. ([click here](#))

Counter Fraud

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale, and undermine confidence in the Council's governance and that of public bodies generally.

There is little evidence that the *incidence* of fraud is currently a major issue for the Council, but the *risk* is increasing nationally. We therefore regularly assess how vulnerable our services are to fraud and corruption risks and in 2018 we updated our counter fraud arrangements accordingly.

The Council adopted a 'Tough on Fraud' policy and will not permit it to be tolerated or perpetuated, and our [Counter Fraud Strategy for 2018-21](#) sets out what we will do to maintain this commitment in light of the risk

The results of our risk-based Counter Fraud approach are reported annually to the Audit Committee, and the resources available for investigation are subject to ongoing review to ensure that they remain appropriate to the risk of fraud.

Our website tells you how you can report suspected fraud against the Council. ([click here](#))

The Council's **Values** -

Trust
Respect
Innovation
Flexibility
Integrity
Commitment

define the behaviours which are expected of employees and members, and also define a way of working for the Council.



Counter Fraud Strategy 2018 - 21

Counter Fraud Strategy 2018 - 21

'Tough-on-Fraud'

Whenever the Council identifies instances of fraud, bribery or corruption against it, it will always take legal and / or disciplinary action against the perpetrator and seek recovery and redress.

3. Improving Governance

The progress made during 2018-19 on the significant issues identified in our 2017-18 Annual Governance Statement is shown below:

1.	The Council's Constitution This required a comprehensive review and for consideration to be given to a simpler format based on the most recent national model for Wales.	This work is progressing to schedule. The Council is likely to be asked to adopt a revised constitution in May 2019.
2.	Statutory Posts The statutory post of 'Head of Paid Service' was to be permanently filled in 2018-19.	This post was filled in September 2018 when the current Chief Executive started.
3.	Health and Safety There was a need to continue to ensure that governance and management responsibilities for Health and Safety, particularly at operational level, were understood and applied. There was also a need to address any findings highlighted by the Health and Safety Executive (HSE).	A revised Health and Safety Governance Framework has been implemented which provides a more effective means of demonstrating compliance with the Council's statutory health and safety responsibilities which includes ensuring that actions are taken to address identified hazards or unsafe acts. The HSE's report, as to the findings of their voluntary intervention on Hand Arm Vibration Syndrome, is expected in May 2019 and the findings will be addressed at that stage.
4.	Information Management There was a need to continue the project moving towards compliance with the General Data Protection (GDPR) Regulation.	Implementation is continuing with regular monitoring by the GDPR Project Management Board and senior management. Specific audits are undertaken on higher risk areas in order to provide assurance concerning compliance
5.	Central Support Resources Following the critical employee shortage identified in the ICT team and the resulting moratorium placed on any major projects and requests for changes to systems which impact on the ICT network, there was a commitment to fill critical posts and consider alternative solutions to provide appropriate support.	The key posts were filled during 2018-19 and where necessary, appropriate alternative solutions are considered.

Based on our review of the governance framework, the following significant issues will be addressed in 2019-20:

<p>1. Health and Safety (See previous page)</p>	<p>We will implement any findings that arise from the HSE’s report and continue to ensure that the health and safety culture supports the Council’s ongoing commitment to managing health and safety risks effectively.</p>
<p>2. Securing ICT Infrastructure We have invested in our ICT infrastructure to ensure it can provide a robust, resilient and secure platform to support the aims of a modern & resilient Council.</p>	<p>The continued evolution of ICT makes this an ongoing requirement, the next phase of which will see a new Data Centre built in 2019/20.</p>
<p>3. Welsh Language Some instances were found in 2018-9 where we need to improve compliance with the Welsh Language Standards.</p>	<p>We will continue to improve compliance with the Standards and to raise awareness of the Welsh language & culture through the Welsh Language Promotion Strategy.</p>

These issues will be supported by a detailed action plan, progress on which will be monitored during 2019-20 and reported to senior management and to the Audit Committee.

No other major changes to the Council’s governance framework are planned for 2019-20, but we will continue to review and adapt it so that it continues to support the Council in meeting its challenge and in fulfilling its purpose, and ensure that the framework remains proportionate to the risks that are faced.

We will also continue to raise awareness of the Governance Framework and its requirements with employees across the Council, in schools and with Members.

4. Assurance

Subject to the above issues being resolved, we can provide an overall substantial assurance that Wrexham County Borough Council's governance arrangements remain fit for purpose.

We propose over the coming year to take steps to address the significant issues set out above to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:  Date: 27th May 2019
(Chief Executive)

Signed:  Date: 27th May 2019
(Leader)

