

# Statement of Accounts 2020/21



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## Introduction



Swansea Council is located on the South Wales Coast and is one of twenty two current unitary local authorities providing local government services in Wales.

The area of the Council includes the Gower peninsula, designated as Britain's first area of outstanding natural beauty.

Approximately 247,000 people live within the boundaries of the Council of which:

- 41,800 are aged under 16
- 56,100 are of pensionable age
- 22,800 are aged 75 years and over



The County has a mixed agricultural and industrial economy. The City sits at the mouth of the River Tawe, from which its Welsh name, Abertawe, derives.

This Statement of Accounts is one of a number of publications, which include the revenue and capital budgets, produced to comply with the law and designed to provide information about the Council's financial affairs.

Copies of these accounts can be obtained from:

Chief Finance Officer  
Swansea Council  
Guildhall  
Swansea  
SA1 4PE

## *Narrative Report*

The main elements of this Statement of Accounts comprise:-

- \* The Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates.
- \* The Comprehensive Income and Expenditure Statement, which shows the income from, and spending on, Authority services for the year. It also shows how much money we get from the Welsh Government, business ratepayers and Council taxpayers together with the net deficit/surplus for the year.
- \* The Movement in Reserves Statement, which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- \* The Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2021.
- \* The Cash Flow Statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- \* The notes to the accounts, incorporating the main accounting policies, which show the basis on which we have prepared the accounts and the accounting principles the Authority has adopted. The notes also offer further analysis of items appearing in the main financial statements.
- \* The Housing Revenue Account (HRA) Income and Expenditure Statement, which shows income from, and spending on, Council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Authority's Comprehensive Income and Expenditure Statement.
- \* The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- \* The Certificate and Statement of Responsibilities of the Chief Finance Officer who is the responsible officer for the production of the statement.
- \* The Annual Governance Statement, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Authority.
- \* The auditor's opinion and certificate relating to the Statement of Accounts.

## *Narrative Report*

We incur two main types of expenditure – revenue expenditure and capital expenditure.

**Revenue expenditure** covers spending on the day to day costs of our services such as staff salaries and wages, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income we receive from Council taxpayers, business ratepayers, the fees and charges made for certain services, and by the grants we receive from Government.

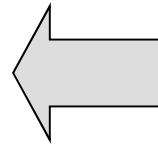
**Capital expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and the sale of fixed assets. Amounts borrowed for capital purposes are repaid in part each year as part of our revenue expenditure.

Sources of borrowing utilised include the Public Works Loan Board (PWLB) and capital markets. The PWLB is a Government agency which provides longer-term loans to local authorities.

## Narrative Report

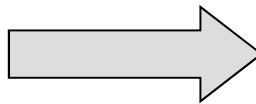
### Revenue spending in 2020/21

	£'m	%
Revenue support grant	261.2	29
Non domestic rates	78.2	9
Council tax (including Reduction Scheme)	130.3	14
Other income (rents, fees and charges, specific grants)	433.8	48
	<b>903.5</b>	<b>100</b>



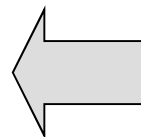
*Where our money comes from*

*What we spend it on*



	£'m	%
Employees	387.4	43
Capital charges	37.6	4
Running costs	382.4	42
Precepts/Levies	40.5	5
Reserve transfers	55.6	6
	<b>903.5</b>	<b>100</b>

	£'m	%
Resources	108.0	12
Social Services	210.4	23
Education	241.3	27
Place	219.8	24
Housing Revenue Account (HRA)	36.3	4
Reserve transfers	55.6	6
Other	32.1	4
	<b>903.5</b>	<b>100</b>



*And the services it provides*

The reserve transfers of £55.6m are the revenue reserve transfers in 2020/21 which include the General Fund, Housing Revenue Account and Earmarked Reserves.

## *Narrative Report*

### **Authority services**

The net directorate expenditure for 2020/21 was £393.709m against a revised budget of £414.058m. The revenue outturn position of the Authority for 2020/21 resulted in a decrease in expenditure on services of £20.349m compared to adjusted budget, boosted especially by recovery of one off settlements of covid related spending, compensation for income losses and additional grant support from the Welsh Government. In addition, the revenue outturn position reflects a further £0.981m of one off expenditure on an invest to save basis, that was partly met from the Authority's contingency and restructuring funds primarily to fund early retirement and voluntary redundancy costs as the Authority seeks to reduce its underlying operating costs and adjust to potential future grant levels.

The underlying spend on Services reflects forecast and known pressures, across all directorates, but especially within Social Services budgets, which have been partly reflected in 2021/22 budget proposals.

The 2020/21 budget proposals were rapidly overtaken by events given the Covid-19 pandemic and short term spending increased substantially, savings plans put on hold, and service income was materially lower than forecast across all Council functions. For 2020/21 this has been recompensed by substantial Welsh Government support. Continuation of that support at 2020/21 levels is far from assured going forward. The Council has prudently rolled forward £20m of service underspending to create a locally funded Recovery Fund (earmarked revenue reserve) to pump prime recovery activity for 2021/22 and into 2022/23. The longer term financial outlook remains incredibly uncertain for the Council.

### **Other budget variations**

Other budget savings during the year arose from reductions in capital repayments and interest charges (£9.488m). The MRP (Minimum Revenue Provision) Policy was reviewed in 2018/19 and Council approved a change in MRP Policy which helped lower capital repayment charges in the short to medium-term. In line with the Council's agreed reserve policy, the whole capital financing underspend has been transferred to a capital equalisation reserve.

For all supported borrowing, including capital expenditure incurred before 1st April 2008, the charge to revenue will be over 40 years by the straight line method, which is commensurate with the average of existing asset useful economic lives. In essence this replaces the 4% reducing balance method with a 2.5% straight line method. This can be considered a more prudent approach than the current provision because it introduces a more certain period for eliminating the debt liability in full.



## Narrative Report

### Housing Revenue Account

The Housing Revenue Account of the Authority is a ring fenced account dealing exclusively with income and expenditure arising from the Authority's housing stock. For 2020/21 there was a net increase in HRA reserves at year end of £0.903m (2019/20 net decrease £0.815m). Total income for the year was £68.989m, which funded revenue expenditure of £37.104m. In addition, this was also offset against other adjustments and contributed towards the Capital Programme £30.982m. In total, £43.006m (2019/20 £53.438m) Capital was spent on HRA properties and a breakdown of both Revenue and Capital income and expenditure can be found on pages 144 to 147.

Details of the annual Revenue, Capital and HRA outturn reports can be found on the agenda of the Council's Cabinet for the meeting on 17th June 2021.

### Covid-19

The following table sets out the additional costs identified as incurred during the year as a result of the Covid-19 pandemic together with the funding received from Welsh Government. Not all of the additional costs incurred by the Authority were eligible for funding from the Welsh Government. Some of these costs related to "local decisions" made by the Authority and others as a result of Welsh Government determining and applying its eligibility criteria.

	Costs/Loss of Income £'000s	Grant Income £'000s
Services	51,086	46,171
Corporate	37,615	37,754
Agency on behalf of Welsh Government	104,826	104,826
	<b>193,527</b>	<b>188,751</b>

## *Narrative Report*

### **Performance**

Performance on delivery of the Council's Well-being objectives is monitored quarterly by Cabinet. The reports contain outturn compliance with performance indicators and an overview of performance for each objective provided by Directors/Heads of Service. Quarterly reports during 2020/21 were suspended for much of the year as a result of the disruption from the pandemic. Performance monitoring and reporting was briefly recovered in June for Q1 reporting before being suspended again as a result of the impact from the second Covid-19 wave; the Q1 report was reported to Cabinet in December. Reporting will resume in 2021/22 with the end of year 2020/21 Performance Monitoring Report; continued disruption from Covid-19 is likely to mean that performance targets will not be set during 2021/22 and any comparisons to previous performance will be limited and will need to be contextualized. Provisional end of year performance for 2020/21 shows that 45 out of 85 (53%) comparable indicators showed improved performance compared to the previous year. A total of 38 out of 85 (45%) indicators demonstrated declining performance and 2 (2%) were static compared to 2019/20. The impact from Covid-19 on the results of the reported performance indicators is captured within the individual comments accompanying each indicator and within the overviews provided by responsible Directors/Heads of Service.

## Narrative Report

### Capital spending in 2020/21

	£'000
External borrowing	68,161
Government grants	68,046
Other grants/contributions	25,303
Capital receipts	2,231
Revenue and reserves	33,934
Spend to be financed in 2021/22	6,479
	<b>204,154</b>

*Where our money comes from*

*What services we spend it on*

*Some of the assets it provided*

	£'000
Resources	1,783
Place Services	172,795
Education	28,032
Social Services	1,544
	<b>204,154</b>

	£'000		£'000
<b>Education</b>		Copper Powerhouse	1,404
EOTAS new build	4,919	TRI regeneration schemes including response to Covid	2,630
Gorseinon primary	2,163	<b>Housing (General Fund)</b>	
Tan-y-Lan primary	4,601	Housing Disabled Facilities Grants	3,099
YGG Tirdeunaw primary	5,172	<b>Highways and Transportation</b>	
YG Gwyr secondary school extension	3,622	Carriageways & Footways	7,522
Bishopston Comprehensive refurbishment	5,835	Local Transport Network fund schemes and Local Transport Fund	2,057
<b>Place Services: Housing (HRA)</b>		Active Travel and Road Safety schemes	4,765
HRA More Homes programme	8,258	Vehicle replacement	1,330
HRA refurbishment (includes kitchens and bathrooms)	11,657	CTU workshop	953
HRA Adaptation works	2,046	<b>Other Services</b>	
HRA Wind & Weatherproofing (includes High-rise flats)	8,196	Property acquisitions	7,481
HRA landscaping and enhancement	6,713	Capital Maintenance, including Schools	7,619
<b>Economic Development</b>		Bay Studios Surge Hospital	21,589
The Kingsway Urban Parkway	3,170	<b>Resources</b>	
City Centre Redevelopment - Swansea Central Phase 1	57,162	Schools IT and ERP upgrade	1,255

## *Narrative Report*

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 21 on pages 94 and 95. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 23 to 27 and Note 10 on page 72.

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 the precise value of the liability that has been incurred. It is therefore the Authority's best estimate of the financial liability as at 31st March 2021.

The Council holds Earmarked Reserves for specific purposes, together with a level of General Reserves which are available to support overall Council expenditure. However, due to the nature, size and complexity of the Council's operations, and in particular the potential for short term volatility in terms of elements of income and expenditure, it is prudent to maintain a level of General Reserves sufficient to meet anticipated and known financial risks.

At the end of the year, the Authority's revenue reserve balances amounted to £150.754m (2019/20 £99.093m).

### **International Accounting Standard 19 Employee Benefits (IAS 19)**

The Accounts comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Authority's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31st March 2021 and the reserve needed to fund that liability.

The pension fund liability that is disclosed within the Balance Sheet is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a 3 yearly actuarial valuation which assesses the then state of the pension fund and advises the various admitted bodies on the appropriate rate of employers contributions that needs to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2020/21 relates to the valuation undertaken on 31st March 2019.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation. The Department for Communities and Local Government legislated for a new scheme which commenced in April 2014 which was designed to have a material and beneficial effect on the projected cost of the scheme over future years.

The Government is currently implementing a public sector exit cap, which includes the LGPS, which if confirmed would reduce some departure costs.

## *Narrative Report*

The Pension Fund Deficit at 31st March 2021 is £961.094m (31st March 2020 £824.450m).

### **Group Accounts**

Group Accounts are prepared where Local Authorities have material interests in subsidiaries, associated companies and joint ventures. Group Accounts have been prepared to include the National Waterfront Museum and the Wales National Pool. The Group Accounts comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and associated disclosure notes.

### **Leisure Trust**

On 1st October 2018, the management of the Authority's leisure centres was transferred to Wealden Leisure Ltd (T/A Freedom Leisure), a not for profit leisure trust.

### **Plantasia**

On 1st February 2019, the management of Plantasia was transferred to Parkwood Leisure Limited.

### **Changes in the form and content of the Statement**

The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement also complies with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

As a result of the Covid-19 pandemic, the Authority has been asked to administer a number of grants or financial support on behalf of the Welsh Government. For these grants or payments the Authority does not have control over the amount of grant allocated and therefore the Authority is acting as Agent. These transactions are not reflected in the Authority's financial statements. Due to the materiality of some of these grants, an Agency Services disclosure note has been included in the statement of accounts. This disclosure note provides income and expenditure figures for all the grants or loans where the Authority is acting as Agent.

## *Narrative Report*

### **Financial outlook for the Authority.**

On the 4th March 2021 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £4.4m in 2022/23 to £20.8m in 2025/26 reflecting expected modest future cash increases to cash settlements and a planning assumption of 5% rises needed in council tax in all future years of the medium term plan. Net cash investment was forecast in all scenarios but after growth and inflation is taken into account unless grant rises faster than assumed, real terms cuts are still likely to persist. If grant rises were maintained at recent trajectories there would be likely additional real terms funding to invest in services.

That report also contained a range of potential future savings options including continued focus on a range of reviews linked to the Recovery Plan "Achieving Better Together" as the pace and scale of transformative change needed to fit to forecast reducing real terms resources levels continues. This will be significantly assisted by the creation at outturn, from predominantly planned and managed underspends, of the £20m locally funded Recovery Fund.

Notwithstanding the information contained within the medium term financial plan, it is clear that the financial outlook for the Authority is hugely dependent upon the scale of Central Government funding and support for both Revenue and Capital expenditure. The Authority is likely to still be under pressure in real terms in the medium term, despite UK Government comments indicating an end to austerity. The Comprehensive Spending Review 2020 was postponed and a one year settlement agreed. It is anticipated a replacement comprehensive review will happen in 2021. Equally the Authority continues to have ambitious plans to invest substantially in its capital infrastructure, a significant part of which will need to be financed from its own revenue resources, as well as from wider stakeholders including, but not limited to, the Swansea Bay City Region Deal.

Whilst the precise details of total funding available for 2021/22 and beyond have not been announced current indications are that some continued medium term reduction in real terms funding is quite feasible when price, pay and demand pressures are factored in. Equally if sustained substantial cash funding increases are replicated, then there will be investment and service enhancement choices to be made. The Authority is already undertaking work to plan for all scenarios.

The Authority continues to face a challenging agenda following the introduction of an equal pay compliant pay and grading structure, development of regional partnership arrangements in line with Welsh Government policy, and compliance with any legislative and other changes, especially around the Local Government and Elections (Wales) Act 2021, the Wellbeing of Future Generations, the Environment Act, the Socio Economic Duty and Education Additional Learning Needs.

## *Narrative Report*

Local Government regionalisation, driven by the Welsh Government and Local Government collectively, will continue to evolve and change. Whilst a range of future options remain, there is continued expectation of a degree of likely increasing mandatory regional working on a range of services, though with local discretion, in the future especially through Corporate Joint Committees.

At this stage, it is still too early to form a view as to the overall impact of these proposals, nor what any final outcome may eventually be, but is clearly of some significance for the Authority as a whole.

Intrinsically linked to part of this regionalisation agenda is the shared vision between four councils (including Swansea), the Welsh Government, the UK Government and other public sector partners (NHS, University sectors) as well as the private sector in delivering the £1.3bn Swansea Bay City Region deal. Overall funding obligations for the Council and delivery expectations will become clearer as the City Deal project develops. The recently announced acceleration of the UK Government funding to a 10 year rather than 15 year funding cycle will help with cash flow and initial borrowing costs.

Furthermore there may be impact as a result of ongoing options around the proposed Swansea Bay Tidal Lagoon project. Whilst the UK Government has formally decided not to proceed, this Council and a range of stakeholders remain committed to explore all alternative delivery models and vehicles. Whilst it does not manifestly directly involve the Local Authority in the same way as the city region deal, nonetheless it offers a scale and significance to the local area and economy whose potential impact ought to be initially recognised.

The UK left the European Union on 31st January 2020 and entered into an eleven month long transition period, which ended on 31st December 2020 with a trade deal between the UK and EU. The trade deal provides for free trade in goods and limited mutual market access in services, as well as for cooperation mechanisms in a range of policy areas, transitional provisions about EU access to UK fisheries, and UK participation in some EU programmes.

The full impact of the UK exit from the EU is still to be determined. On 12th February 2021 Welsh Government published a guidance document on what the Trade and Cooperation Act means for Wales. The document tries to set out in an objective way what has changed since we left the transition period at the end of December 2020 and to signpost businesses and citizens to further information.

The Council has a corporate level risk established on the post-EU exit period so that it can mitigate any emerging risks and take advantage of any new opportunities as they arise; the Council continues to monitor the situation through its cross-Council Steering Group and through the EU Transition Co-ordinators Group as part of the WLGA Brexit Support Programme.

## *Narrative Report*

Throughout the whole financial year the Authority, in line with actions around the whole world, was repurposed to respond to the growing Covid-19 pandemic as an emergency responder to save lives and keep essential services running. The pandemic position remains fluid and ongoing. There will be a material impact on the 21/22 accounts as well.

Costs incurred at this stage, future costs, plus income foregone now, and for the immediate future, and the impact across all operations, and partners, including UK and Welsh Governments cannot be assessed with any accuracy at year end but are bound to be very substantial for Swansea Council alone. It will have a profound and material impact on the coverage of the accounts, their completeness, timeliness and accuracy in the current and following years.

### **Further information**


You can get more information about the accounts from the Chief Finance Officer, Swansea Council, Guildhall, Swansea, SA1 4PE.



## **Chief Finance Officer's Certificate & Statement of Responsibilities for the Statement of Accounts**

I hereby certify that the statement of accounts on pages 18 to 147 presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2021.

Ben Smith  
Chief Finance Officer



21.05.21

### **The Authority's Responsibilities**

The Authority 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 Authority, that officer is the Chief Financial Officer, namely the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

### **The Chief Financial Officer's Responsibilities**

The Chief Financial Officer 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 (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer 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 Financial Officer has also:

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

### **Date of Authorisation for Issue**

The 2020/21 Statement of Accounts was authorised for issue on xx xxxxxxxxxx 2021 by Ben Smith, Chief Finance Officer who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2020/21 Statement of Accounts was formally approved by Council on xx xxxxxxxxxx 2021.

Des Thomas  
Chairman

## Expenditure and Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

		2019/20		2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000	£'000
43,967	-12,402	31,565	Resources	42,760	-14,792	27,968
115,215	8,968	124,183	Social Services	113,521	9,059	122,580
171,813	24,612	196,425	Education	164,697	13,429	178,126
53,050	40,038	93,088	Place	51,217	38,523	89,740
-40,442	6,908	-33,534	Housing Revenue Account (HRA)	-41,386	8,710	-32,676
<b>343,603</b>	<b>68,124</b>	<b>411,727</b>	<b>Net Cost of Services</b>	<b>330,809</b>	<b>54,929</b>	<b>385,738</b>
-359,518	-56,385	-415,903	Other Income and Expenditure	-382,470	-80,236	-462,706
<b>-15,915</b>	<b>11,739</b>	<b>-4,176</b>	<b>Surplus(-) or Deficit on Provision of Services</b>	<b>-51,661</b>	<b>-25,307</b>	<b>-76,968</b>

## Expenditure and Funding Analysis

General Fund and HRA	General Fund and HRA
-83,178	Opening Balance as at 1 April
-15,915	Surplus(-) or Deficit
<b>-99,093</b>	<b>Closing Balance as at 31 March *</b>

\* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or 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.

2019/20				Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
108,871	-77,306	31,565	Resources		107,962	-79,994	27,968
194,488	-70,305	124,183	Social Services		210,408	-87,828	122,580
251,667	-55,242	196,425	Education		241,296	-63,170	178,126
191,817	-98,729	93,088	Place		219,784	-130,044	89,740
34,361	-67,895	-33,534	Housing Revenue Account (HRA)		36,313	-68,989	-32,676
<b>781,204</b>	<b>-369,477</b>	<b>411,727</b>	<b>Cost of Services</b>		<b>815,763</b>	<b>-430,025</b>	<b>385,738</b>
36,468	0	36,468	Other operating expenditure	11	39,473	0	39,473
79,923	-36,613	43,310	Financing and investment income and expenditure	12	78,114	-30,355	47,759
0	-495,681	-495,681	Taxation and non-specific grant income	13	0	-549,938	-549,938
		<b>-4,176</b>	<b>Surplus(-)/Deficit on Provision of Services</b>				<b>-76,968</b>
		<b>-11,825</b>	Surplus(-)/Deficit on revaluation of Property, Plant and Equipment assets	22			<b>-10,878</b>
		<b>-39,710</b>	Remeasurement of the net defined benefit liability/asset(-)	22			<b>100,360</b>
		<b>-51,535</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>89,482</b>
		<b>-55,711</b>	<b>Total Comprehensive Income(-) and Expenditure</b>				<b>12,514</b>

## Group Income and Expenditure Statement

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
108,871	-77,306	31,565	Resources	107,962	-79,994	27,968
194,488	-70,305	124,183	Social Services	210,408	-87,828	122,580
251,667	-55,242	196,425	Education	241,296	-63,170	178,126
191,817	-98,729	93,088	Place	219,784	-130,044	89,740
34,361	-67,895	-33,534	Housing Revenue Account (HRA)	36,313	-68,989	-32,676
<b>781,204</b>	<b>-369,477</b>	<b>411,727</b>	<b>Cost of Services</b>	<b>815,763</b>	<b>-430,025</b>	<b>385,738</b>
36,468	0	36,468	Other operating expenditure	39,473	0	39,473
79,923	-36,613	43,310	Financing and investment income and expenditure	78,114	-30,355	47,759
0	-495,681	-495,681	Taxation and non-specific grant income	0	-549,938	-549,938
		-4,176	<b>Surplus(-) or Deficit on Provision of Services</b>			-76,968
		362	Share of the surplus(-) or deficit on the provision of services by associates and joint ventures			253
		-3,814	<b>Group Surplus(-) or Deficit</b>			-76,715
		-13,982	Surplus(-) or deficit on revaluation of Property, Plant and Equipment assets			-10,001

## Group Income and Expenditure Statement

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		-39,710	Remeasurement of the net defined benefit liability/asset(-)			100,360
		-53,692	Other Comprehensive Income and Expenditure			90,359
		-57,506	Total Comprehensive Income(-) and Expenditure			13,644

## *Movement in Reserves Statement*

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

The Statement shows how the movements in year of the Authority'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 Balance movements in the year following those adjustments.

## Movement in Reserves Statement

2019/20	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2019 carried forward</b>		<b>9,352</b>	<b>67,670</b>	<b>6,156</b>	<b>9,310</b>	<b>15,455</b>	<b>107,943</b>	<b>135,137</b>	<b>243,080</b>
<b>Movement in reserves during 2019/20</b>									
Surplus on the provision of services		-28,914	0	33,090	0	0	4,176	0	4,176
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	51,535	51,535
<b>Total Comprehensive Income and Expenditure</b>		<b>-28,914</b>	<b>0</b>	<b>33,090</b>	<b>0</b>	<b>0</b>	<b>4,176</b>	<b>51,535</b>	<b>55,711</b>
Adjustments between accounting basis & funding basis under regulations	8	45,644	0	-33,905	-2,937	5,588	14,390	-14,390	0
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>		<b>16,730</b>	<b>0</b>	<b>-815</b>	<b>-2,937</b>	<b>5,588</b>	<b>18,566</b>	<b>37,145</b>	<b>55,711</b>
Transfers from(-)/to Earmarked Reserves	10	-16,730	16,730	0	0	0	0	0	0
<b>Increase/Decrease(-) in 2019/20</b>		<b>0</b>	<b>16,730</b>	<b>-815</b>	<b>-2,937</b>	<b>5,588</b>	<b>18,566</b>	<b>37,145</b>	<b>55,711</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>9,352</b>	<b>84,400</b>	<b>5,341</b>	<b>6,373</b>	<b>21,043</b>	<b>126,509</b>	<b>172,282</b>	<b>298,791</b>



## Movement in Reserves Statement

2020/21	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020 carried forward</b>		<b>9,352</b>	<b>84,400</b>	<b>5,341</b>	<b>6,373</b>	<b>21,043</b>	<b>126,509</b>	<b>172,282</b>	<b>298,791</b>
<b><u>Movement in reserves during 2020/21</u></b>									
Surplus on the provision of services		40,305	0	36,663	0	0	76,968	0	76,968
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	-89,482	-89,482
<b>Total Comprehensive Income and Expenditure</b>		<b>40,305</b>	<b>0</b>	<b>36,663</b>	<b>0</b>	<b>0</b>	<b>76,968</b>	<b>-89,482</b>	<b>-12,514</b>
Adjustments between accounting basis & funding basis under regulations	8	10,453	0	-35,760	-162	5,773	-19,696	19,696	0
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>		<b>50,758</b>	<b>0</b>	<b>903</b>	<b>-162</b>	<b>5,773</b>	<b>57,272</b>	<b>-69,786</b>	<b>-12,514</b>
Transfers from(-)/to Earmarked Reserves	10	-50,110	50,110	0	0	0	0	0	0
<b>Increase/Decrease(-) in 2020/21</b>		<b>648</b>	<b>50,110</b>	<b>903</b>	<b>-162</b>	<b>5,773</b>	<b>57,272</b>	<b>-69,786</b>	<b>-12,514</b>
<b>Balance at 31 March 2021 carried forward</b>		<b>10,000</b>	<b>134,510</b>	<b>6,244</b>	<b>6,211</b>	<b>26,816</b>	<b>183,781</b>	<b>102,496</b>	<b>286,277</b>

## Group Movement in Reserves Statement

2019/20	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>Balance at 31 March 2019 carried forward</b>		<b>9,352</b>	<b>67,670</b>	<b>6,156</b>	<b>9,310</b>	<b>15,455</b>	<b>107,943</b>	<b>135,137</b>	<b>243,080</b>	<b>21,907</b>	<b>264,987</b>
<b><u>Movement in reserves during 2019/20</u></b>											
Surplus on the provision of services		-28,914	0	33,090	0	0	4,176	0	4,176	-362	3,814
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	51,535	51,535	2,157	53,692
<b>Total Comprehensive Income and Expenditure</b>		<b>-28,914</b>	<b>0</b>	<b>33,090</b>	<b>0</b>	<b>0</b>	<b>4,176</b>	<b>51,535</b>	<b>55,711</b>	<b>1,795</b>	<b>57,506</b>
Adjustments between group accounts & authority accounts		0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	8	45,644	0	-33,905	-2,937	5,588	14,390	-14,390	0	0	0
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>		<b>16,730</b>	<b>0</b>	<b>-815</b>	<b>-2,937</b>	<b>5,588</b>	<b>18,566</b>	<b>37,145</b>	<b>55,711</b>	<b>1,795</b>	<b>57,506</b>
Transfers from(-)/to Earmarked Reserves	10	-16,730	16,730	0	0	0	0	0	0	0	0
<b>Increase/Decrease(-) in 2019/20</b>		<b>0</b>	<b>16,730</b>	<b>-815</b>	<b>-2,937</b>	<b>5,588</b>	<b>18,566</b>	<b>37,145</b>	<b>55,711</b>	<b>1,795</b>	<b>57,506</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>9,352</b>	<b>84,400</b>	<b>5,341</b>	<b>6,373</b>	<b>21,043</b>	<b>126,509</b>	<b>172,282</b>	<b>298,791</b>	<b>23,702</b>	<b>322,493</b>

## Group Movement in Reserves Statement

2020/21	Note	General Fund Balance	£'000	Farmarked General Fund Reserves	£'000	Housing Revenue Account	£'000	Capital Receipts Reserve	£'000	Capital Grants Unapplied Account	£'000	Total Usable Reserves	£'000	Unusable Reserves	£'000	Total Authority Reserves	£'000	Authority's Share of Subsidiaries, Associates and Joint Ventures	£'000	Total Group Reserves	£'000
<b>Balance at 31 March 2020 carried forward</b>		<b>9,352</b>	<b>84,400</b>	<b>5,341</b>	<b>6,373</b>	<b>21,043</b>	<b>126,509</b>	<b>172,282</b>	<b>298,791</b>	<b>23,702</b>	<b>322,493</b>										
<b><u>Movement in reserves during 2020/21</u></b>																					
Surplus on the provision of services		40,305	0	36,663	0	0	76,968	0	76,968	0	76,968	0	76,968	0	76,968	0	76,968	-253	76,715		
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	0	0	-89,482	-89,482	-89,482	-89,482	-89,482	-877	-90,359		
<b>Total Comprehensive Income and Expenditure</b>		<b>40,305</b>	<b>0</b>	<b>36,663</b>	<b>0</b>	<b>0</b>	<b>76,968</b>	<b>0</b>	<b>76,968</b>	<b>0</b>	<b>76,968</b>	<b>0</b>	<b>-89,482</b>	<b>-89,482</b>	<b>-12,514</b>	<b>-12,514</b>	<b>-1,130</b>	<b>-1,130</b>	<b>-13,644</b>		
Adjustments between group accounts & authority accounts		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Adjustments between accounting basis & funding basis under regulations	8	10,453	0	-35,760	-162	5,773	-19,696	19,696	0	0	0	0	0	0	0	0	0	0	0		
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>		<b>50,758</b>	<b>0</b>	<b>903</b>	<b>-162</b>	<b>5,773</b>	<b>57,272</b>	<b>-69,786</b>	<b>-12,514</b>	<b>-1,130</b>	<b>-13,644</b>										
Transfers from(-)/to Earmarked Reserves	10	-50,110	50,110	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
<b>Increase/Decrease(-) in 2020/21</b>		<b>648</b>	<b>50,110</b>	<b>903</b>	<b>-162</b>	<b>5,773</b>	<b>57,272</b>	<b>-69,786</b>	<b>-12,514</b>	<b>-1,130</b>	<b>-13,644</b>										
<b>Balance at 31 March 2021 carried forward</b>		<b>10,000</b>	<b>134,510</b>	<b>6,244</b>	<b>6,211</b>	<b>26,816</b>	<b>183,781</b>	<b>102,496</b>	<b>286,277</b>	<b>22,572</b>	<b>308,849</b>										

## Balance Sheet

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

31 March 2020 £'000		Note	31 March 2021 £'000
431,332	Council Dwellings	14	425,246
614,700	Other Land and Buildings	14	671,587
10,359	Vehicles, Plant, Furniture and Equipment	14	14,731
237,329	Infrastructure Assets	14	256,307
8,995	Community Assets	14	8,607
82,534	Surplus Assets	14	83,893
72,272	Assets under Construction	14	134,486
<b>1,457,521</b>	<b>Property, Plant &amp; Equipment</b>		<b>1,594,857</b>
31,733	Heritage Assets	15	32,002
55,805	Investment Properties	16	55,093
456	Intangible Assets		515
114	Long Term Investments	17	109
4,067	Long Term Debtors	17	6,426
<b>1,549,696</b>	<b>Long Term Assets</b>		<b>1,689,002</b>
67,603	Short Term Investments	17	54,505
4,200	Assets Held for Sale		50
2,444	Inventories		2,681
81,970	Short Term Debtors	18	113,409
56,933	Cash and Cash Equivalents	19	63,818
<b>213,150</b>	<b>Current Assets</b>		<b>234,463</b>
-10,891	Short Term Borrowing	17	-7,174
-60,571	Short Term Creditors	20	-89,120
-2,691	Provisions	21	-2,670
-352	Capital Grants Receipts in Advance		0
<b>-74,505</b>	<b>Current Liabilities</b>		<b>-98,964</b>

## Balance Sheet

31 March 2020 £'000		Note	31 March 2021 £'000
-2,602	Long Term Creditors	17	-2,688
-10,105	Provisions	21	-9,211
-552,393	Long Term Borrowing	17	-565,231
-824,450	Other Long Term Liabilities	35	-961,094
<b>-1,389,550</b>	<b>Long Term Liabilities</b>		<b>-1,538,224</b>
<b>298,791</b>	<b>NET ASSETS</b>		<b>286,277</b>
	<b>Financed by:</b>		
9,352	Balances - General Fund		10,000
5,341	Balances - Housing Revenue Account	10	6,244
6,373	Capital Receipts Reserve		6,211
21,043	Capital Grants Unapplied Account		26,816
84,400	Earmarked Reserves	10	134,510
<b>126,509</b>	<b>Usable Reserves</b>		<b>183,781</b>
373,016	Revaluation Reserve	22	369,024
-824,450	Pensions Reserve	22	-961,094
635,519	Capital Adjustment Account	22	712,144
-2,303	Financial Instrument Adjustment Account		-2,294
-9,500	Accumulated Absences Account	22	-15,284
<b>172,282</b>	<b>Unusable Reserves</b>		<b>102,496</b>
<b>298,791</b>	<b>TOTAL RESERVES</b>		<b>286,277</b>

## Group Balance Sheet

31 March 2020 £'000		Note	31 March 2021 £'000
431,332	Council Dwellings	14	425,246
614,700	Other Land and Buildings	14	671,587
10,359	Vehicles, Plant, Furniture and Equipment	14	14,731
237,329	Infrastructure Assets	14	256,307
8,995	Community Assets	14	8,607
82,534	Surplus Assets	14	83,893
72,272	Assets under Construction	14	134,486
<b>1,457,521</b>	<b>Property, Plant &amp; Equipment</b>		<b>1,594,857</b>
31,733	Heritage Assets	15	32,002
55,805	Investment Properties	16	55,093
456	Intangible Assets		515
114	Long Term Investments	17	109
23,702	Investments in Associates and Joint Ventures		22,572
4,067	Long Term Debtors	17	6,426
<b>1,573,398</b>	<b>Long Term Assets</b>		<b>1,711,574</b>
67,603	Short Term Investments	17	54,505
4,200	Assets Held for Sale		50
2,444	Inventories		2,681
81,970	Short Term Debtors	18	113,409
56,933	Cash and Cash Equivalents	19	63,818
<b>213,150</b>	<b>Current Assets</b>		<b>234,463</b>
-10,891	Short Term Borrowing	17	-7,174
-60,571	Short Term Creditors	20	-89,120
-2,691	Provisions	21	-2,670
-352	Capital Grants Receipts in Advance		0
<b>-74,505</b>	<b>Current Liabilities</b>		<b>-98,964</b>
-2,602	Long Term Creditors	17	-2,688
-10,105	Provisions	21	-9,211
-552,393	Long Term Borrowing	17	-565,231
-824,450	Other Long Term Liabilities	35	-961,094
<b>-1,389,550</b>	<b>Long Term Liabilities</b>		<b>-1,538,224</b>
<b>322,493</b>	<b>NET ASSETS</b>		<b>308,849</b>

## Group Balance Sheet

31 March 2020 £'000		Note	31 March 2021 £'000
	<b>Financed by:</b>		
20,565	Balances - General Fund		20,960
5,341	Balances - Housing Revenue Account	10	6,244
6,373	Capital Receipts Reserve		6,211
21,043	Capital Grants Unapplied Account		26,816
84,400	Earmarked Reserves	10	134,510
<b>137,722</b>	<b>Usable Reserves</b>		<b>194,741</b>
385,505	Revaluation Reserve	22	380,636
-824,450	Pensions Reserve	22	-961,094
635,519	Capital Adjustment Account	22	712,144
-2,303	Financial Instrument Adjustment Account		-2,294
-9,500	Accumulated Absences Account	22	-15,284
<b>184,771</b>	<b>Unusable Reserves</b>		<b>114,108</b>
<b>322,493</b>	<b>TOTAL RESERVES</b>		<b>308,849</b>

## Cash Flow Statement

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

2019/20 £'000		Note	2020/21 £'000
4,176	Net surplus or deficit(-) on the provision of services		76,968
65,975	Adjustments to net surplus or deficit(-) on the provision of services for non-cash movements	23	81,044
-47,044	Adjustments for items included in the net surplus or deficit(-) on the provision of services that are investing and financing activities	23	-99,146
<b>23,107</b>	<b>Net cash flows from operating activities</b>		<b>58,866</b>
-118,051	Purchase of property, plant and equipment, investment property and intangible assets		-174,569
-1,259,477	Purchase of short-term and long-term investments		-1,454,025
2,118	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		1,935
1,313,651	Proceeds from short-term and long-term investments		1,467,080
47,044	Other receipts from investing activities		99,146
<b>-14,715</b>	<b>Net cash flows from investing activities</b>		<b>-60,433</b>
2,691	Cash receipts of short-term and long-term borrowing		20,696
-1,387	Repayments of short-term and long-term borrowing		-12,244
<b>1,304</b>	<b>Net cash flows from financing activities</b>	24	<b>8,452</b>
<b>9,696</b>	<b>Net decrease(-) or increase in cash and cash equivalents</b>		<b>6,885</b>
47,237	Cash and cash equivalents at the beginning of the reporting period		56,933
<b>56,933</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>63,818</b>



## Group Cash Flow Statement

2019/20 £'000		Note	2020/21 £'000
4,176	Net surplus or deficit(-) on the provision of services		76,968
65,975	Adjustments to net surplus or deficit(-) on the provision of services for non-cash movements	23	81,044
-47,044	Adjustments for items included in the net surplus or deficit(-) on the provision of services that are investing and financing activities	23	-99,146
<b>23,107</b>	<b>Net cash flows from operating activities</b>		<b>58,866</b>
-118,051	Purchase of property, plant and equipment, investment property and intangible assets		-174,569
-1,259,477	Purchase of short-term and long-term investments		-1,454,025
2,118	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		1,935
1,313,651	Proceeds from short-term and long-term investments		1,467,080
47,044	Other receipts from investing activities		99,146
<b>-14,715</b>	<b>Net cash flows from investing activities</b>		<b>-60,433</b>
2,691	Cash receipts of short-term and long-term borrowing		20,696
-1,387	Repayments of short-term and long-term borrowing		-12,244
<b>1,304</b>	<b>Net cash flows from financing activities</b>	24	<b>8,452</b>
<b>9,696</b>	<b>Net decrease(-) or increase in cash and cash equivalents</b>		<b>6,885</b>
47,237	Cash and cash equivalents at the beginning of the reporting period		56,933
<b>56,933</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>63,818</b>

## Notes to the Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021.

The Authority is required to prepare an annual Statement of Accounts by virtue of the Accounts and Audit (Wales) (Amendment) Regulations 2018. These regulations require the Accounts to be prepared in accordance with proper accounting practices.

These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS).

The Accounts have been prepared on a historical cost basis, with the exception of certain categories of non-current assets that are measured at current value, and financial instruments which are now carried within the balance sheet at fair value as defined by the Code.

The Group Accounts consolidate Swansea Council's accounts with the accounts of companies in which the Authority has an interest and are considered to be part of our group.

The CIPFA Code of Practice on Local Authority Accounting 2020/21 requires that Group Accounting Statements have to be prepared, consolidating the accounts of the parent and any subsidiary, associate or joint undertakings. An assessment of the activities and interests of Swansea Council has been undertaken, which has determined that the Swansea Council Group consists of the Local Authority as the parent, and the following companies:

Wales National Pool Swansea (WNPS)	Joint Venture
National Waterfront Museum Swansea (NWMS)	Joint Venture
Swansea Community Energy & Enterprise Scheme (SCEES)	Associate

Notes have been provided to the Group Accounting Statements only where the disclosure for the Group differs from that required for the Local Authority due to the combination of the accounts of the various entities.

IAS 19 requires that entries are included in the Group Balance Sheet for the Group's share of assets and liabilities of the Local Authority Pension Scheme.

The Accounts are prepared on a going concern basis.

## *Notes to the Accounts*

### **ii. Accruals of Income and Expenditure**

The Accounts are maintained on an accruals basis in accordance with the Code. This means that sums due to or from the Authority, where the supply or service was provided or received during the year, are included in the Accounts whether or not the cash has actually been received or paid in the year.

Accruals are made in respect of grants claimed or claimable for Revenue and Capital purposes. Some grant claims are finalised after the Accounts have been completed and in this case the grant is accrued on the basis of the best estimate available, and any differences are accounted for in the following year.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the main on the basis of the effective interest rate for the relevant financial instrument.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **iii. Cash and Cash Equivalents**

Cash or cash equivalents will be any cash investment which is held for short-term cash flow purposes which can be readily realised without a significant change in value.

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

## Notes to the Accounts

### iv. Exceptional Items

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

### v. Changes in Accounting Policies and Estimates and Errors

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 or conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of some operational and some non-operational assets during 2020/21.

Where appropriate, consideration has been given to the estimated useful life of individual asset components (primarily electrical, mechanical, and fabric); revenue charges for depreciation reflect the differing useful lives of asset components for other land and building assets revalued as per the Authority's rolling programme between 1st April 2010 and 31st March 2016. Revenue charges for depreciation on assets, revalued as per the rolling programme from 1st April 2016, will be charged on the building component of Other Land and Buildings assets. Annual depreciation has been charged on opening balances from 1st April 2017.

The Council Tax bad debt provision has been reviewed during 2020/21. Following an analysis of the original outstanding debt, current outstanding debt and the level of write offs the Authority realised that the estimate for council tax bad debt provision was too high and therefore needed to be revised. The Council Tax bad debt provision is now based on the historic average of uncollected debt. There are external factors like the changes in universal credit and the impact of the Covid-19 pandemic that are likely to affect the council tax collection rate and the level of outstanding debt. Therefore the council tax bad debt provision will be reviewed annually for the next three years.

### vi. 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, based on any intangible asset held subject to the de minimis policy on capitalisation set out in note xvi.

## *Notes to the Accounts*

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

### **vii. Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses. Any non-monetary benefits for current employees are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the 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 to the Accumulated Absences Account 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 Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. Costs relating to termination benefits are charged on an accruals basis to the relevant Cost of Service lines in the Comprehensive Income and Expenditure Statement only when the Authority is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

#### **Post Employment Benefits**

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

- The Teachers' Pension Scheme, administered by CAPITA on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by Swansea Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned by employees during their period of employment with the Authority.

## Notes to the Accounts

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

### The Local Government Pension Scheme

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

- The liabilities of the Swansea Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds as required by IAS 19.
- The assets of the Swansea Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - industry accepted techniques
  - unitised securities - current bid price
  - property - market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to 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 Comprehensive Income and Expenditure Statement.
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

## Notes to the Accounts

- Remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Swansea Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. No such discretionary powers were used during the year.

### viii. Events After the Balance Sheet Date

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

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

## *Notes to the Accounts*

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

### **ix. Financial Instruments**

#### **Financial Liabilities**

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

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

#### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss, and
- fair value through other comprehensive income.

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



## *Notes to the Accounts*

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

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

However, the Authority has made loans to voluntary organisations and third parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement 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 Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement 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 a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-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 Authority.

## Notes to the Accounts

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. 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 12-month expected losses.

The Authority has a portfolio of a significant number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the Authority 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 the Provision of Services.

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

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

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

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Authority 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 and Expenditure line in the Comprehensive Income and Expenditure Statement.

## *Notes to the Accounts*

### **x. Government Grants and Contributions**

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received 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 (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **xi. Heritage Assets**

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Authority, principally for their contribution to knowledge and culture.

Subject to specific requirements, Heritage Assets are accounted for in accordance with the Authority's policies of Property, Plant and Equipment (including the treatment of revaluation gains and losses and de minimis policy).

The Authority does not normally purchase fixed assets of a heritage nature; all assets disclosed have been donated into the Authority's possession. All assets are open to access by members of the public, with no restrictions other than those resulting from the normal operational limitations of venues (opening and closing times, and public safety).

## *Notes to the Accounts*

Management of these assets is undertaken by designated specialists and other personnel employed by the Authority. These personnel are responsible for the maintenance of all historical records relating to the assets the Authority is in possession of, access to which can be granted through local arrangement. Any preservation works required, either enhancing or non-enhancing in nature, will be undertaken through the Authority's main capital program, with minor works undertaken ad-hoc per the standard Authority internal systems for revenue expenditure.

No heritage assets disposals are actively undertaken by the Authority. Under such circumstance that asset disposal is required, it shall be undertaken in accordance with the Authority's standard asset disposal procedures.

Valuation of heritage assets may be made by any method that is appropriate and relevant. The Authority's assets are mostly valued at insurance valuation and replacement cost (based on construction methods and materials used).

Depreciation is not required on heritage assets which have indefinite lives. Impairment reviews will only be carried out where there is reported physical deterioration or new doubts as to the authenticity of a heritage asset.

Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to users of the financial statements, the asset is not recognised on the balance sheet. Items such as Hafod Copperworks, memorials and some museum and library collections have been considered but not recognised as value/cost information is unavailable.

### **xii. Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **xiii. 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.

## *Notes to the Accounts*

Investment properties are measured initially at cost (in accordance with the Council's de minimis policy for capitalisation as set out in note xvi) 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. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

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

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

### **xv. 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.

## *Notes to the Accounts*

### **The Authority as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

#### **Operating Leases**

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

## Notes to the Accounts

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund 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 Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

## Notes to the Accounts

### Operating Leases

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

Most leases granted by the Authority as lessor relate to commercial properties.

### xvi. Property, Plant and Equipment

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

#### Recognition

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

The Council maintains a de minimis value of £20,000 for any asset (or group of similar assets) to be capitalised within the General Fund.

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



## Notes to the Accounts

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 Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are 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 comprehensive income and expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

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

- infrastructure and community assets - depreciated historical cost,
- council dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH),
- 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- for 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).

## Notes to the Accounts

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their estimated useful lives. No charge 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). From 1st April 2017 the Authority charges depreciation based on opening balances.

Depreciation is calculated on the following bases:

- dwellings - straight-line allocation over the estimated useful life of the property (30 to 80 years),
- non traditional dwellings - straight-line allocation over the estimated useful life of the property (30 years),
- other buildings - straight-line allocation over the estimated useful life of the property and, where applicable, its significant components (1 to 60 years),
- vehicles, plant, furniture and equipment - straight line allocation over the estimated useful life of the asset (2 to 10 years),

## Notes to the Accounts

- infrastructure / community assets - straight-line allocation over the estimated useful life of the asset (20 to 40 years),
- surplus assets - per original allocated estimated useful life from original categorisation unless indication of amendments required to this assessment is apparent.

Each accounting period the estimated useful life assigned to individual assets is assessed. Where there is evidence to indicate the departure from a standard useful life the asset's estimated useful life will be amended.

### Component Accounting

In recognition that single assets may have a number of different components each having a different estimated useful life, two factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation of the Authority's other land and building assets revalued since 1st April 2010.

#### 1. Suitability of assets.

To 31st March 2016, the Authority deemed assets revalued during the year to be of a suitable significant nature. Asset valuation therefore reflected assessment of component apportionment of Building Fabric 79%, Mechanical 13%, Electrical 8% and respective remaining estimated useful economic life. From 1st April 2016, the Authority has deemed assets revalued under the 5 year rolling programme to be apportioned between land and buildings.

#### 2. Difference in rate of depreciation compared to the overall asset.

Only those elements that normally depreciate at a significantly different rate from the non land element as a whole, had been identified for componentisation. From 1st April 2016, the whole building element will be depreciated using the building fabric's useful life (unless evidence suggests this is to be amended).

Assets that fall below the de-minimis levels and tests above are disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material mis-statement in the accounts.

Professional judgement will be used in establishing materiality levels: the significance of components and apportionment applied, useful lives, depreciation methods and apportioning asset values over recognised components.

Where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a reassessment of the useful life.

## *Notes to the Accounts*

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Such receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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 Balance in the Movement in Reserves Statement.

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

#### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the obligation arises, 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 provisions carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

#### **Provision for Back Pay Arising from Unequal Pay Claims**

The Authority implemented an equal pay compliant pay and grading structure from 1st April 2014.

In 2020/21 the Council did not settle any unequal pay claims and made a payment of £386 to HMRC. During 2019/20 the Council settled unequal pay claims totalling £27k (including composite payments to HMRC). These were funded from existing provisions.

#### **Contingent Liabilities**

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

## *Notes to the Accounts*

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

### **Contingent Assets**

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

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

### **xviii. Reserves**

The Authority 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 Balance. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

### **xix. 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 Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **xx. VAT**

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

## Notes to the Accounts

The Authority undertakes an annual review of its de-minimus VAT position under s33 of the VAT Act 1993 as required by HMRC. For the year ended 31st March 2021 the Authority believes that it will be below the de-minimus level in respect of exempt related input tax and hence will be entitled to recovery of input tax in full.

### xxi. Fair Value Measurement of non-financial assets

The Authority's accounting policy for fair value measurement of financial assets is set out in note ix. The Authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either :

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

The Authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority 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.

The Authority 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 for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date,

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly,

Level 3 - unobservable inputs for the asset.

### xxii. Group Accounting Policies

The accounting policies for both City and County of Swansea and City and County of Swansea Group are materially aligned except for the valuation of assets in respect of the Wales National Pool Swansea. The assets of the Wales National Pool Swansea have been valued on a different basis within the company's accounts to that used by the Council for assets of this nature. For the purposes of the Group accounts, the National Pool has been separately valued by the Council in accordance with its own accounting policies. Full disclosure of the different valuations have been included on page 118 to the financial statements.

### 2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) has introduced accounting policy changes in relation to the following:

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

The adoption of the accounting standards mentioned above may incur amendments that can be made retrospectively by prior period restatement (if possible) or through the adjustment of opening balances as at 1st April 2021.

Opening balances will be adjusted in the Authority and Group Accounts where the changes are material.

Accounting policy changes that are material will require the Authority to publish a third Balance Sheet for the beginning of the earliest comparative period for the Authority and Group Accounts.



### 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:-

- The medium term financial plan approved by the Authority on 4th March 2021 detailed significant ongoing uncertainty over forecast revenue funding shortfalls over the medium term. Indications were that there were a range of scenarios for funding which range from significant real terms reductions in support to broadly maintained real terms support from Central Government from 2022/23 onwards, following the national Spending Review. All spending and funding assumptions were set before the ongoing full substantial economic scale, and potential recovery, of the Covid 19 pandemic was fully clear. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to keep closed some facilities and change the level of service provision. There is however material uncertainty over this assumption.
- It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the Authority faces in responding both locally, with partners, and supporting the national strategic response to the Covid 19 pandemic. The impact was not directly financially material on the 2020/21 accounts but the national lockdown arrangements and the prioritisation of the response to Covid 19 may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts. The impact will be very financially material for the 2020/21 accounts (hundreds of millions including where acting as agent for UK or Welsh Government, still many tens of million of pounds) but its net impact is less clear: by way of exemplification our increased costs, and lost income, will far exceed available general reserves so the presumption is that all, or the very vast bulk of all costs will continue to be reimbursed by partners, Welsh Government or UK Government through contributions or grant.
- The Authority implemented an equality compliant pay and grading structure for its employees from 1st April 2014. At the same time, the Authority continues to face a small and dwindling residual number of claims from past and existing employees based on equal pay grounds. In determining the extent of the resources to be set aside the Authority has made assumptions regarding the number of potential claimants and the potential value of their respective claims. The Authority is confident that it has sufficient resource to meet the remaining liabilities arising from equal pay issues.

## Notes to the Accounts

- The Government has made fundamental changes in respect of the provision of public sector pensions. Changes to employer contribution rates in the Teachers' Pension Scheme rose to 23.68% from September 2019. Welsh Government block grant has helped alleviate this substantial pressure in 2019/20 and 2020/21, with future support dependent upon the Spending Review. A re-modelled Local Government Pension scheme was introduced from 1st April 2014 but there is no indication that the finances of the Authority will be adversely affected by any of the changes. The LGPS triennial valuation in 2019 has confirmed the affordability of future contribution rates. There remains significant uncertainty as to the impact of the UK Government recompensing scheme members for the McCloud judgement and a prudent sum has been factored in by the actuary in the valuation results for the pension fund and individual employer contribution rates.
- In line with accounting standards the Authority has made a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site at Tir John. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been calculated taking into account commitments currently within the Council's Capital Programme.
- The Authority undertook a fundamental review in 2012/13 of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City and County (21st Century Schools Programme). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. As the Schools Programme has progressed there has been further re-evaluations and adjustments in 2020/21.

#### **4. Assumptions made about the future and other major sources of estimation uncertainty**

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

## Notes to the Accounts

The items in the Authority's Balance Sheet as at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependant upon assumptions over the specific life expectancy of those assets. As stated in note 3 a review has been undertaken of a significant number of school buildings and in particular the impact of the Council's strategic 21st Century Schools Programme plan for asset replacement.</p> <p>In addition revised useful lives have been applied to a number of assets during 2020/21 in line with professional judgement.</p> <p>The Covid 19 pandemic has raised uncertainties over some operational asset valuations. See Note 14 for more information.</p>	<p>To the extent that useful lives have been determined inappropriately the result could be:-</p> <p>a) In the event of a further reduction in useful lives there would be an additional charge to revenue and a reduction in the carrying value of the asset.</p> <p>b) In the event that useful lives have been underestimated this would result in a substantially reduced revenue charge and an increase in the carrying value of such assets as and when the useful life is deemed to be extended.</p> <p>In any event the effect of depreciation is reversed out of the Comprehensive Income and Expenditure Statement to have nil effect on the Council taxpayer.</p> <p>If transactional evidence becomes available to demonstrate a significant change in a particular sector or asset being unable to recover from the longer term consequences of the pandemic, this could result in a decrease in valuation.</p>
Provisions	<p>The Authority has made a significant capital provision for the future remediation and maintenance of major land refuse disposal sites. Uncertainty arises because of the 60 year timescale for liability on this issue.</p>	<p>Any shortfall in future years will have to be funded via the capital programme.</p>

## Notes to the Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
Pension liabilities	<p>The Authority's share of the Local Government pension fund liability as at 31st March 2021 is £961.094m. However, the fund is subject to a triennial valuation which at present reviews the level of employers contributions in order to ensure the long term sustainability of the fund. Changes to the Local Government Pension Scheme introduced on 1st April 2014 were designed to ensure the long term affordability of the scheme. The Covid 19 Pandemic means that the pension fund liability may be subject to wider than usual uncertainty over valuations assumptions, estimate accuracy and formal certification by third parties.</p>	<p>The Pension Fund is designed to be sustainable over the long term and it is unlikely that there will be any significant short term impact on the Authority's finances arising from any assumptions currently made or decisions that are likely in the coming financial year.</p>
Insurance Provisions and Reserves	<p>The Authority has set aside provisions to meet contractual excess amounts from known and existing insurance claims. In deciding the level of provision to make in respect of ongoing claims, the Authority has taken advice from its legal advisers and/or its contracted loss adjusters. The Authority also maintains an insurance reserve which is used to meet the cost of future unforeseen events based on previous experience.</p>	<p>Should the sums set aside prove insufficient to meet these payments there would be an immediate revenue effect in the year that the available sums were exhausted. Equally, the Authority regularly reviews the level of both provisions and reserves with a view to releasing funds back to revenue if appropriate.</p>

## Notes to the Accounts

Item	Uncertainties	Effect if actual results differ from Assumptions
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Authority employs experts to identify the most appropriate valuation techniques to determine fair value (for example for surplus assets and investment properties, the Authority's internal property valuation team).</p> <p>The Covid 19 pandemic has raised uncertainties over some asset valuations. See Note 14 for more information.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its financial assets / liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent levels, vacancy levels (for investment properties), investment yields and discount rates - for some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the surplus assets, investment properties and financial assets.</p> <p>If transactional evidence becomes available to demonstrate a significant change in a particular sector or asset being unable to recover from the longer term consequences of the pandemic, this could result in a decrease in valuation.</p>

## *Notes to the Accounts*

Item	Uncertainties	Effect if actual results differ from Assumptions
Fair value measurements	<p>Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities is disclosed in notes:</p> <p>14. Non-operational PPE (Surplus Assets)</p> <p>16. Investment Properties</p> <p>17. Financial Instruments</p>	

### **5. Material items of income and expense**

The Authority does not have any items of material income and expenditure to report that requires additional information in 2019/20 or 2020/21.

## Notes to the Accounts

### 6a) Note to the Expenditure and Funding Analysis

		Adjustments between Funding and Accounting Basis 2020/21					
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for Pension Adjustments (Note 2) £'000	Other Statutory Adjustments (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-statutory) Adjustments (Note 4) £'000	Total Adjustments £'000	
Resources	6,458	1,178	735	8,371	-23,163	-14,792	
Social Services	1,683	6,430	946	9,059	0	9,059	
Education	8,732	1,875	2,768	13,375	54	13,429	
Place	27,502	7,268	1,021	35,791	2,732	38,523	
Housing Revenue Account (HRA)	7,313	1,132	265	8,710	0	8,710	
<b>Net Cost of Services</b>	<b>51,688</b>	<b>17,883</b>	<b>5,735</b>	<b>75,306</b>	<b>-20,377</b>	<b>54,929</b>	
Other income and expenditure from the Expenditure and Funding Analysis	-119,016	18,400	3	-100,613	20,377	-80,236	
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-67,328</b>	<b>36,283</b>	<b>5,738</b>	<b>-25,307</b>	<b>0</b>	<b>-25,307</b>	

## Notes to the Accounts

Adjustments between Funding and Accounting Basis 2019/20						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for Pension Adjustments (Note 2) £'000	Other Statutory Adjustments (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Resources	6,923	2,508	-418	9,013	-21,415	-12,402
Social Services	1,774	7,087	107	8,968	0	8,968
Education	20,941	2,542	1,076	24,559	53	24,612
Place	28,014	8,191	108	36,313	3,725	40,038
Housing Revenue Account (HRA)	5,664	1,248	-4	6,908	0	6,908
<b>Net Cost of Services</b>	<b>63,316</b>	<b>21,576</b>	<b>869</b>	<b>85,761</b>	<b>-17,637</b>	<b>68,124</b>
Other income and expenditure from the Expenditure and Funding Analysis	-93,251	19,180	49	-74,022	17,637	-56,385
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-29,935</b>	<b>40,756</b>	<b>918</b>	<b>11,739</b>	<b>0</b>	<b>11,739</b>



## Notes to the Accounts

### Adjustments for Capital Purposes

1) Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **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.

### Net Change for Pension Adjustments

2) Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### Other Statutory Adjustments

3) Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Notes to the Accounts

### Other Non-statutory Adjustments

- 4) 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 Comprehensive Income and Expenditure Statement:

For **Financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.

For **Taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments e.g. for unringfenced government grants.

### 6b) Segmental Income

Income received on a segmental basis is analysed below:

Services	2020/21 Income from Services £'000	2019/20 Income from Services £'000
Resources	-79,944	-77,254
Social Services	-87,521	-70,001
Education	-62,395	-53,861
Place	-122,558	-106,862
Housing Revenue Account (HRA)	-68,989	-67,918
<b>Total income analysed on a segmental basis</b>	<b>-421,407</b>	<b>-375,896</b>

## Notes to the Accounts

### 7. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2019/20 £'000	2020/21 £'000
<b>Expenditure</b>		
Employee expenses	372,523	387,429
Premises	48,467	52,869
Transport	28,575	25,308
Supplies & Services	104,244	99,070
Other Costs	228,899	260,578
Depreciation, amortisation and impairment	55,625	45,889
Interest payments	22,794	22,734
Precepts and levies	37,716	40,479
Gain or loss on the disposal of assets	-1,248	-1,006
<b>Total expenditure</b>	<b>897,595</b>	<b>933,350</b>
<b>Income</b>		
Fees, charges and other service income	-238,804	-217,107
Interest and investment income	-1,107	-244
Income from council tax	-123,652	-130,297
Government grants and contributions	-538,208	-662,670
<b>Total income</b>	<b>-901,771</b>	<b>-1,010,318</b>
<b>Surplus(-) or Deficit on the Provision of Services</b>	<b>-4,176</b>	<b>-76,968</b>

The £217.107m (19/20 £238.804m) of fees, charges and other service income reported in the Comprehensive Income and Expenditure Statement includes £171.802m (19/20 £192.325m) of revenue recognised from contracts with service recipients.

### 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

The following sets out a description of the reserves that the adjustments are made against.

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

## Notes to the Accounts

### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2020/21				
	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
- Pensions costs (transferred to (or from) the Pensions Reserve)	34,232	2,052	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	5	0	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	5,520	264	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	-12,028	-5,510	0	5,773
<b>Total Adjustments to Revenue Resources</b>	<b>27,729</b>	<b>-3,194</b>	<b>0</b>	<b>5,773</b>

## Notes to the Accounts

2020/21				
	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,006	0	1,935	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-11,536	-3,366	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-4,734	-29,200	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-17,276</b>	<b>-32,566</b>	<b>1,935</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-2,097	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-2,097</b>	<b>0</b>
<b>Total Adjustments</b>	<b>10,453</b>	<b>-35,760</b>	<b>-162</b>	<b>5,773</b>

## Notes to the Accounts

### 2019/20 Comparative Figures

	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
- Pensions costs (transferred to (or from) the Pensions Reserve)	38,549	2,207	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	49	0	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	926	-4	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	19,674	-3,546	0	5,588
<b>Total Adjustments to Revenue Resources</b>	<b>59,198</b>	<b>-1,343</b>	<b>0</b>	<b>5,588</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,248	0	2,118	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-10,587	-3,038	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-1,719	-29,524	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-13,554</b>	<b>-32,562</b>	<b>2,118</b>	<b>0</b>

## Notes to the Accounts

2019/20 Comparative Figures				
	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-5,055	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-5,055</b>	<b>0</b>
<b>Total Adjustments</b>	<b>45,644</b>	<b>-33,905</b>	<b>-2,937</b>	<b>5,588</b>

### 9. Events After the Balance Sheet Date

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

Two types of events can be identified:

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

The Covid 19 Pandemic had a material effect on the Council's financial position throughout 2020/21 and beyond. The immediate direct revenue financial impact on the 2020/21 accounts was substantial, both in accounting and cash flow terms, with significant financial support from the Welsh Government and this is already reflected. Future financial support is less certain but likely to be materially much lower in 2021/22. In producing the statement of accounts the explicit assumption has been made that the Council remains a going concern, that physical asset closures are temporarily only and that they are not permanently impaired, and that financial assets and liabilities (especially in relation to property and the pension fund) may be subject to wider than usual uncertainty over valuation assumptions, estimate accuracy and formal certification by third parties.

## Notes to the Accounts

### 10. Movements In 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 the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance at 1st April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31st March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31st March 2021 £'000
<b>General Fund:</b>							
Balances held by schools under the scheme of delegation	8,600	-996	125	7,729	0	13,051	20,780
Primary School Sickness Scheme Reserve	180	-180	93	93	-93	315	315
Information technology reserves	1,394	0	248	1,642	-187	6,390	7,845
Development reserves	4,557	-17	81	4,621	0	230	4,851
Insurance reserves	17,395	-1,081	18	16,332	-265	922	16,989
Restructuring Costs reserve	3,000	0	0	3,000	0	0	3,000
Contingency Fund reserve	0	-2,412	8,718	6,306	-6,759	10,453	10,000
Recovery Fund reserve	0	0	0	0	0	20,000	20,000
Other earmarked revenue reserves	11,617	-970	5,597	16,244	-459	10,492	26,277
Revenue reserve earmarked to fund future capital expenditure	20,927	0	7,506	28,433	-4,089	109	24,453
<b>Total</b>	<b>67,670</b>	<b>-5,656</b>	<b>22,386</b>	<b>84,400</b>	<b>-11,852</b>	<b>61,962</b>	<b>134,510</b>
<b>HRA:</b>							
Housing Revenue Account	6,156	-815	0	5,341	0	903	6,244
<b>Total</b>	<b>6,156</b>	<b>-815</b>	<b>0</b>	<b>5,341</b>	<b>0</b>	<b>903</b>	<b>6,244</b>



## Notes to the Accounts

### 11. Other Operating Expenditure

2019/20 £'000		2020/21 £'000
1,464	Community Council precepts	1,582
23,195	South Wales Police Authority precept	25,069
13,057	Levies and Contributions	13,828
-1,248	Gains(-)/losses on the disposals of non-current assets	-1,006
<b>36,468</b>		<b>39,473</b>

### 12. Financing and Investment Income and Expenditure

2019/20				2020/21		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
22,794	0	22,794	Interest payable and similar charges	22,734	0	22,734
48,000	-28,820	19,180	Net interest on the net defined benefit liability/asset(-)	43,970	-25,570	18,400
0	-1,107	-1,107	Interest receivable and similar income	0	-244	-244
4,770	-6,686	-1,916	Income and expenditure in relation to investment properties and changes in their fair value	9,961	-4,541	5,420
4,359	0	4,359	Impairment losses	1,449	0	1,449
<b>79,923</b>	<b>-36,613</b>	<b>43,310</b>		<b>78,114</b>	<b>-30,355</b>	<b>47,759</b>

The income generated from investment properties during the year amounted to £3.689m (2019/20 £4.767m) and changes to the fair value of investment properties amounted to -£8.192m (2019/20 -£1.953m).

### 13. Taxation and Non Specific Grant Income

2019/20 £'000		2020/21 £'000
-123,652	Council tax income (note 37)	-130,297
-80,013	Non domestic rates	-78,175
-242,197	Non-ringfenced government grants	-261,206
-47,876	Capital grants and contributions	-77,689
0	Covid-19 Council tax loss support grant	-2,584
-1,943	High street rate relief	13
<b>-495,681</b>		<b>-549,938</b>

## Notes to the Accounts

### 14. Property, Plant and Equipment

Movements in 2020/21:								
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or valuation</b>								
At 1 April 2020	431,332	659,826	29,642	407,384	15,989	84,317	72,288	1,700,778
Additions (Cap Exp)	34,622	17,295	4,614	19,457	22	2,049	88,634	166,693
Additions (Other)	0	711	2,358	0	0	430	0	3,499
Revaluation increases / decreases(-) recognised in the Revaluation Reserve	-37,390	19,345	0	0	0	1,845	0	-16,200
Revaluation increases / decreases(-) recognised in the Surplus/Deficit on the Provision of Services	0	7,574	-57	0	-20	-4,528	0	2,969
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-1,387	-43	3	-2	-664	0	-2,093
Derecognition - disposals	0	0	-444	0	0	-1,063	0	-1,507
Assets reclassified to/from Held for Sale	0	3,656	0	0	0	300	0	3,956

## Notes to the Accounts

### Movements in 2020/21 (continued):

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Assets under construction reclassified	3,342	11,020	195	11,569	0	217	-26,420	-77
Other reclassifications	500	-3,069	0	0	0	2,569	0	0
<b>At 31 March 2021</b>	<b>432,406</b>	<b>714,971</b>	<b>36,265</b>	<b>438,413</b>	<b>15,989</b>	<b>85,472</b>	<b>134,502</b>	<b>1,858,018</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2020	0	-45,126	-19,283	-170,055	-6,994	-1,783	-16	-243,257
Depreciation charge	-7,160	-22,945	-2,752	-12,051	-388	-1,243	0	-46,539
Depreciation written out to the Revaluation Reserve	21	22,260	0	0	0	2,285	0	24,566
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	54	57	0	0	1,240	0	1,351
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	444	0	0	134	0	578
Other movements in depreciation and impairment	-21	2,373	0	0	0	-2,212	0	140
<b>At 31 March 2021</b>	<b>-7,160</b>	<b>-43,384</b>	<b>-21,534</b>	<b>-182,106</b>	<b>-7,382</b>	<b>-1,579</b>	<b>-16</b>	<b>-263,161</b>
<b>Net Book Value</b>								
<b>At 1 April 2020</b>	<b>431,332</b>	<b>614,700</b>	<b>10,359</b>	<b>237,329</b>	<b>8,995</b>	<b>82,534</b>	<b>72,272</b>	<b>1,457,521</b>
<b>At 31 March 2021</b>	<b>425,246</b>	<b>671,587</b>	<b>14,731</b>	<b>256,307</b>	<b>8,607</b>	<b>83,893</b>	<b>134,486</b>	<b>1,594,857</b>

## Notes to the Accounts

### Comparative Movements in 2019/20:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or valuation</b>								
At 1 April 2019	390,620	666,171	24,675	399,115	15,989	83,866	21,393	1,601,829
Additions(Cap Exp)	48,091	9,848	2,220	8,366	0	1,092	47,090	116,707
Additions(Other)	18	0	2,828	0	0	1,941	0	4,787
Revaluation increases / decreases(-) recognised in the Revaluation Reserve	-7,458	-7,493	0	0	0	471	0	-14,480
Revaluation increases / decreases(-) recognised in the Surplus/Deficit on the Provision of Services	284	-1,493	0	0	0	-3,403	0	-4,612
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-1,232	-26	-113	0	0	0	-1,371
Derecognition - Disposals	0	-564	-62	0	0	-237	0	-863
Assets reclassified to/from Held for Sale	0	0	0	0	0	-300	0	-300
Assets under construction reclassified	0	882	7	16	0	5	-1,829	-919
Other reclassifications	-223	-6,293	0	0	0	882	5,634	0
<b>At 31 March 2020</b>	<b>431,332</b>	<b>659,826</b>	<b>29,642</b>	<b>407,384</b>	<b>15,989</b>	<b>84,317</b>	<b>72,288</b>	<b>1,700,778</b>

## Notes to the Accounts

### Comparative Movements in 2019/20 (continued):

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2019	-16,703	-20,886	-17,364	-158,349	-6,606	-1,383	0	-221,291
Depreciation charge	-5,819	-26,916	-1,981	-11,706	-388	-1,058	0	-47,868
Depreciation written out to the Revaluation Reserve	22,525	2,156	0	0	0	547	0	25,228
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	81	0	81
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	0	520	62	0	0	11	0	593
Other movements in depreciation and impairment	-3	0	0	0	0	19	-16	0
<b>At 31 March 2020</b>	<b>0</b>	<b>-45,126</b>	<b>-19,283</b>	<b>-170,055</b>	<b>-6,994</b>	<b>-1,783</b>	<b>-16</b>	<b>-243,257</b>
<b>Net Book Value</b>								
At 1 April 2019	373,917	645,285	7,311	240,766	9,383	82,483	21,393	1,380,538
At 31 March 2020	431,332	614,700	10,359	237,329	8,995	82,534	72,272	1,457,521

## Notes to the Accounts

### Capital Commitments

As at 31st March 2021 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted to cost £64.93m. Similar commitments at 31st March 2020 were £99.206m.

The major commitments are:

	£'000
YGG Tirdeunaw primary school new build	4,895
YGG Tan y Lan primary school new build	4,006
YG Gwyr secondary school extension	2,664
Bishopston comprehensive refurbishment	6,197
HRA Environmental Facilities schemes	2,529
HRA general capital schemes	612
HRA More Homes scheme	1,512
Swansea Central Phase 1 - construction phase	35,553
Hafod-Copperworks Powerhouse	3,743
Leisure Centres	384
Wind Street reimagined scheme	2,100
Salix Energy Efficiency scheme	740

### Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation dates for 2020/21 were 30th June 2020, 30th September 2020, 31st December 2020 and 31st March 2021.

## Notes to the Accounts

The main asset groups revalued during 2020/21 and the remaining groups to be revalued under the current rolling programme are as follows:

Year	Other Land & Buildings	Surplus Assets	Council Dwellings
2020/21	Secondary Schools, Other Education, Community Centres, Day Centres, Centres for Older People and Youth Clubs	City Centre	-
2021/22	Car Parks, Toilets, Changing Rooms, Pavilions, Industrial, Homes for Older Persons	Land Only and Miscellaneous	-
2022/23	Primary Schools, Leisure Facilities, Civic Amenity Sites and Miscellaneous	Residential shared % and Agricultural	-
2023/24	Libraries and Offices	Industrial Estates and Residential Freehold	Sheltered Housing Complexes
2024/25	-	-	Council Houses / Flats

Assets transferred from Assets Under Construction are also revalued each year.

### Covid-19

As per RICS Valuation - Global Standards guidance "The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and global economy - with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of Covid-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally".

## *Notes to the Accounts*

Nevertheless, as at the valuation date most property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation of PPE operational assets is not reported as being subject 'to material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

In respect of PPE surplus city centre assets and Investment Property assets valued based on their trading potential, as at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. Consequently, in respect of these valuations less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case.



## Notes to the Accounts

### Non-operational Property, Plant and Equipment (Surplus Assets)

#### Fair Value Hierarchy

Details of the Authority's surplus assets and information about fair value hierarchy as at 31 March 2021 and 31 March 2020 are as follows:

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31st March
	(Level 1)	(Level 2)	(Level 3)	
<b>2020/21</b>				
<b>Recurring fair value measurements using:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Agricultural	0	0	537	537
City Centre	0	4,691	11,228	15,919
Industrial Units	0	0	3,190	3,190
Land only	0	1,237	44,590	45,827
High Value	0	0	260	260
Residential Freeholds (LRA)	0	181	0	181
Residential shared %	0	0	833	833
Miscellaneous	0	6,281	12,444	18,725
<b>Total</b>	<b>0</b>	<b>12,390</b>	<b>73,082</b>	<b>85,472</b>

<b>2019/20 Comparative Figures</b>				
	(Level 1)	(Level 2)	(Level 3)	
<b>Recurring fair value measurements using:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Agricultural	0	0	537	537
City Centre	0	5,562	13,911	19,473
Industrial Units	0	0	3,190	3,190
Land only	0	1,237	41,384	42,621
High Value	0	0	260	260
Residential Freeholds (LRA)	0	205	0	205
Residential shared %	0	0	913	913
Miscellaneous	0	5,121	11,997	17,118
<b>Total</b>	<b>0</b>	<b>12,125</b>	<b>72,192</b>	<b>84,317</b>

## *Notes to the Accounts*

### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets**

#### **Significant Observable Inputs - Level 2**

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

#### **Significant Unobservable Inputs - Level 3**

The surplus land located in the local authority are measured using a value per acre of land derived from sale transactions of comparable parcels of land in similar locations. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the location, date of sale and size of land sold.

The Authority's surplus land is therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

#### **Highest and Best Use of Surplus Assets**

In estimating the fair value of the Authority's surplus assets, the highest and best use of the properties is sometimes their current use and sometimes, as in the case of vacant land and buildings, is the value assuming planning permission would be granted for development / or refurbishment.

## Notes to the Accounts

### Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs - Level 3

	As at 31/03/2021 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Agricultural	537	Market Approach	Land Value per acre	£2,000 - £5,000 per acre	Significant changes in land value and yield will result in significantly lower or higher fair value
City Centre	11,228	Market Approach	Rents	Zone A £125 to £550 per sq m	Significant changes in rent and yields will result in significantly lower or higher fair value
			Yield	6 - 12%	
			Yield	6 - 11%	Significant changes in rent and yields will result in significantly lower or higher fair value
Industrial Units	3,190	Market Approach	Rents	Various	Significant changes in rent and yields will result in significantly lower or higher fair value
Land Only	44,590	Market Approach	Land Value per acre	£80,000 to £600,000 per acre	Significant changes in rent and yields will result in significantly lower or higher fair value
			Yield	Various	Significant changes in rent and yields will result in significantly lower or higher fair value
High Value	260	Market Approach	Rents	Various	Significant changes in rent and yields will result in significantly lower or higher fair value
			Capital Value	£115,000 - £135,000	Significant changes in capital value will result in a change to the fair value
Miscellaneous	12,444	Market Approach	Yield	5 - 12%	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
<b>TOTAL</b>	<b>73,082</b>				

## Notes to the Accounts

### Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured under a rolling programme. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The Authority's valuation experts work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

### 15. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority.

	Heritage Land, Buildings & Infrastructure £'000	Art & Museums £'000	Furniture, Fixtures & Fittings £'000	Other £'000	Total Assets £'000
<b>Cost or Valuation</b>					
At 1st April 2019	4,588	21,212	2,955	1,548	30,303
Additions (Cap Exp)	1,055	0	0	4	1,059
Additions (Other)	0	680	0	226	906
Revaluations recognised in the Revaluation Reserve	0	-47	0	0	-47
Revaluations recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	-1,361	0	0	-4	-1,365
Reclassifications	877	0	0	0	877
<b>At 31st March 2020</b>	<b>5,159</b>	<b>21,845</b>	<b>2,955</b>	<b>1,774</b>	<b>31,733</b>
<b>Cost or Valuation</b>					
At 1st April 2020	5,159	21,845	2,955	1,774	31,733
Additions (Cap Exp)	184	5	0	15	204
Additions (Other)	0	265	0	0	265
Revaluations recognised in the Revaluation Reserve	0	-3	0	2	-1
Revaluations recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	-261	0	0	-15	-276
Reclassifications	77	0	0	0	77
<b>At 31st March 2021</b>	<b>5,159</b>	<b>22,112</b>	<b>2,955</b>	<b>1,776</b>	<b>32,002</b>

## Notes to the Accounts

### Heritage Land, Buildings and Infrastructure

The Authority's heritage land, buildings and infrastructure assets are reported in the Balance Sheet at historic cost (e.g. Oystermouth Castle) and at valuation (e.g. Swiss Cottage, Singleton Park or Morfa Bridge - off Normandy Road, Landore). Valuations have been carried out internally by the Authority's internal RICS valuer and internal highways engineer.

### Art & Museums

The Authority's art and museums assets are mainly included at insurance valuation by external valuers. This category includes the Brangwyn Hall panels and other paintings also various exhibitions held by the Authority.

### Other

Most of the remaining assets included are reported in the Balance Sheet at insurance valuation (e.g. Brangwyn Hall Organ). However, there are some held at historic cost (e.g. Cenotaph) and others valued internally by the Authority's internal County Archivist (e.g. West Glamorgan owned collections).

### 16. Investment Properties

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

2019/20 £'000		2020/21 £'000
4,767	Rental income from investment property	3,689
-898	Direct operating expenses arising from investment property	-917
<b>3,869</b>	<b>Net gain</b>	<b>2,772</b>

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

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

2019/20 £'000		2020/21 £'000
<b>57,758</b>	<b>Balance at start of the year</b>	<b>55,805</b>
	Additions:	
0	- Construction (Current)	7,480
-1,953	Net gains/losses(-) from fair value adjustments	-8,192
<b>55,805</b>	<b>Balance at end of the year</b>	<b>55,093</b>

## Notes to the Accounts

### Fair Value measurement of investment property - Fair Value Hierarchy

Details of the Authority's investment properties and information about fair value hierarchy as at 31 March 2021 and 31 March 2020 are as follows:

2020/21				
	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31st March
Recurring fair value measurements using:	(Level 1)	(Level 2)	(Level 3)	
	£'000	£'000	£'000	£'000
Enterprise Park	0	10,419	14,209	24,628
High Value	0	2,199	28,266	30,465
<b>Total</b>	<b>0</b>	<b>12,618</b>	<b>42,475</b>	<b>55,093</b>

2019/20 Comparative Figures				
Recurring fair value measurements using:	(Level 1)	(Level 2)	(Level 3)	
	£'000	£'000	£'000	£'000
Enterprise Park	0	10,879	9,289	20,168
High Value	0	2,350	33,287	35,637
<b>Total</b>	<b>0</b>	<b>13,229</b>	<b>42,576</b>	<b>55,805</b>

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

#### Significant Observable Inputs - Level 2

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

#### Significant Unobservable Inputs - Level 3

Some of the Authority's commercial portfolio is categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

#### Highest and Best Use of Surplus Assets

In estimating the fair value of some of the Authority's investment properties, the highest and best use of the properties is their current use. In some cases, alternative uses have been assumed (subject to planning permission being granted).

## Notes to the Accounts

High Value categorised within Level 3	31 March 2021 £'000	31 March 2020 £'000
Opening balance	33,287	36,298
Transfer into Level 3	0	0
Total gains or losses(-) for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-7,648	-3,011
Transfers to/from Property, Plant and Equipment	0	0
Addition	2,627	0
<b>Closing Balance</b>	<b>28,266</b>	<b>33,287</b>

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

### Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs - Level 3

	As at 31/03/2021 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Enterprise Park	14,209	Market Approach	Yield	7 - 11%	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
High Value	28,266	Market Approach	Yield	Various	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
<b>TOTAL</b>	<b>42,475</b>				

## Notes to the Accounts

### 17. Financial Instruments

#### Categories of Financial Instruments

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

	Non-Current						Current						Totals		
	Investments		Debtors		Investments		Debtors		Investments		Debtors		Totals		
	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021
Fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	24	24	6,426	4,067	54,505	67,603	107,049	79,819	168,004	151,513					
Fair value through other comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fair value through other comprehensive income - other	85	90	0	0	0	0	0	0	0	0	0	0	0	85	90
<b>Total financial assets</b>	<b>109</b>	<b>114</b>	<b>6,426</b>	<b>4,067</b>	<b>54,505</b>	<b>67,603</b>	<b>107,049</b>	<b>79,819</b>	<b>168,089</b>	<b>151,603</b>					
Assets not defined as financial instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>109</b>	<b>114</b>	<b>6,426</b>	<b>4,067</b>	<b>54,505</b>	<b>67,603</b>	<b>107,049</b>	<b>79,819</b>	<b>168,089</b>	<b>151,603</b>					

#### Financial Liabilities:

	Non-Current						Current						Totals		
	Borrowings		Creditors		Borrowings		Creditors		Borrowings		Creditors		Totals		
	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021	31st March 2020	31st March 2021
Fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	565,231	552,393	2,688	2,602	7,174	10,891	79,044	51,219	654,137	617,105					
<b>Total financial liabilities</b>	<b>565,231</b>	<b>552,393</b>	<b>2,688</b>	<b>2,602</b>	<b>7,174</b>	<b>10,891</b>	<b>79,044</b>	<b>51,219</b>	<b>654,137</b>	<b>617,105</b>					
Liabilities not defined as financial instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>565,231</b>	<b>552,393</b>	<b>2,688</b>	<b>2,602</b>	<b>7,174</b>	<b>10,891</b>	<b>79,044</b>	<b>51,219</b>	<b>654,137</b>	<b>617,105</b>					



## Notes to the Accounts

### Income, Expense, Gains and Losses

	2020/21		2019/20	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
<b>Net gains/losses on:</b>				
Financial assets measured at fair value through profit or loss	0	0	0	0
Financial assets measured at amortised cost	0	0	0	0
Investments in equity instruments designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through other comprehensive income	0	0	0	0
Financial liabilities measured at fair value through profit or loss	0	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0
<b>Total net gains/losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	285	0	1,151	0
Other financial assets measured at fair value through other comprehensive income	0	0	0	0
<b>Total interest revenue</b>	<b>285</b>	<b>0</b>	<b>1,151</b>	<b>0</b>
<b>Interest expense</b>	<b>-22,675</b>	<b>0</b>	<b>-22,699</b>	<b>0</b>
<b>Fee income:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
<b>Total fee income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fee expense:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
<b>Total fee expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

### Fair Values of Assets and Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value. The fair values calculated are as follows:

#### Financial Liabilities

	2020/21		2019/20	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities held at amortised cost	539,080	790,878	542,082	744,681
Long-term creditors	2,688	2,688	2,602	2,602
<b>Total</b>	<b>541,768</b>	<b>793,566</b>	<b>544,684</b>	<b>747,283</b>

The fair value of borrowings is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

#### Financial Assets

	2020/21		2019/20	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost	54,505	54,505	67,603	67,603
Long-term debtors	6,426	6,426	4,067	4,067
<b>Total</b>	<b>60,931</b>	<b>60,931</b>	<b>71,670</b>	<b>71,670</b>

The fair value of the financial assets is equivalent to the carrying amount because the authority's portfolio of investments comprises of short dated investments whose fair value is equivalent to the carrying value as at 31st March 2021.

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

## Notes to the Accounts

Fair Value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2021			
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Recurring fair value measurements using:</b>				
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	24,560	0	24,560
Long-term creditors	0	0	0	0
<b>Total</b>	<b>0</b>	<b>24,560</b>	<b>0</b>	<b>24,560</b>
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
Other financial assets	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	31 March 2020 Comparative Year			
	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Recurring fair value measurements using:</b>				
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	11,708	0	11,708
Long-term creditors	0	0	0	0
<b>Total</b>	<b>0</b>	<b>11,708</b>	<b>0</b>	<b>11,708</b>
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
Other financial assets	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the previous table have been arrived at using a discounted cash flow analysis, with the most significant inputs being the discount rate.

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

Financial Assets	Financial Liabilities
- no early repayment or impairment is recognised	- no early repayment is recognised
- estimated ranges of interest rates at 31 March 2021 of 0.02% to 0.21% for loans receivable, based on new lending rates for equivalent loans at that date	- estimated ranges of interest rates at 31 March 2021 of 1.07% to 2.39% for loans payable based on new lending rates for equivalent loans at that date
- the fair value of trade and other receivables is taken to be the invoiced or billed amount	- the fair value of WG loans are taken at nominal value

## Notes to the Accounts

### 18. Short Term Debtors

31st March 2020 £'000		31st March 2021 £'000
50,141	Central government bodies	88,271
1,227	Other local authorities	1,855
13,046	NHS bodies	11,683
1	Public corporations and trading funds	0
26,234	Other entities and individuals	35,437
9,718	Payments In Advance	4,234
-18,397	Impairment losses	-28,071
<b>81,970</b>	<b>Total</b>	<b>113,409</b>

The short term debtors figure of £113.409m (19/20 £81.970m) includes £11.436m (19/20 £9.868m) for the impairment losses recognised on receivables arising from contracts with service recipients.

### 19. Cash and Cash Equivalents

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

31st March 2020 £'000		31st March 2021 £'000
-217	Cash held by the Authority	-608
57,150	Bank current accounts	64,426
<b>56,933</b>	<b>Total Cash and Cash Equivalents</b>	<b>63,818</b>

### 20. Short Term Creditors

31st March 2020 £'000		31st March 2021 £'000
7,847	Central government bodies	10,522
3,078	Other local authorities	5,311
1,331	NHS bodies	1,198
0	Public corporations and trading funds	0
38,963	Other entities and individuals	62,013
9,352	Receipts In Advance	10,076
<b>60,571</b>	<b>Total</b>	<b>89,120</b>

## Notes to the Accounts

### 21. Provisions

#### Short - term

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	Employee Benefits £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2020</b>	0	1,520	0	1,171	2,691
Additional provisions made in 2020/21	110	740	0	247	1,097
Amounts used in 2020/21	0	-1,534	0	-85	-1,619
Unused amounts reversed in 2020/21	0	-1,319	0	-110	-1,429
Transfer from long term to short term	0	1,930	0	0	1,930
<b>Balance at 31 March 2021</b>	<b>110</b>	<b>1,337</b>	<b>0</b>	<b>1,223</b>	<b>2,670</b>

#### Long - term

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	Employee Benefits £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2020</b>	0	3,547	149	6,409	10,105
Additional provisions made in 2020/21	0	1,541	0	167	1,708
Amounts used in 2020/21	0	0	0	-1	-1
Unused amounts reversed in 2020/21	0	0	0	-671	-671
Transfer from long term to short term	0	-1,930	0	0	-1,930
<b>Balance at 31 March 2021</b>	<b>0</b>	<b>3,158</b>	<b>149</b>	<b>5,904</b>	<b>9,211</b>

#### **Outstanding Legal Cases**

The Authority has incurred legal costs in defending its position across a number of issues and will seek to defray those costs against third parties if appropriate. To the extent that this is considered unlikely this provision is intended to quantify and provide for the expected extent of irrecoverable costs.

## Notes to the Accounts

### Injury and Damage Compensation Claims

This is in respect of excess charges and uninsured costs on all known outstanding insurance claims made against the Authority in respect of all injury and compensation claims outstanding at the Balance Sheet date.

### Employee Benefits

This is in respect of the potential costs of settling all reasonably expected equal pay compensation claims as they exist at the Balance Sheet date on the basis that following the implementation of an equal pay compliant pay structure a significant element of the potential liability will be settled by way of compensation payment rather than as backpay. It is envisaged the majority of this will be settled within 1 year.

### Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock. Other provisions include a significant capital provision (£4.451m) for the future remediation and maintenance of major land refuse disposal sites. Of the £4.451m, £1.668m is likely to be settled within the next ten years and the remaining £2.783m over the next forty years.

### 22. Unusable Reserves

Authority	Group		Authority	Group
31st March 2020 £'000	31st March 2020 £'000		31st March 2021 £'000	31st March 2021 £'000
373,016	385,505	Revaluation Reserve	369,024	380,636
635,519	635,519	Capital Adjustment Account	712,144	712,144
-2,303	-2,303	Financial Instruments Adjustment Account	-2,294	-2,294
-824,450	-824,450	Pensions Reserve	-961,094	-961,094
-9,500	-9,500	Accumulated Absences Account	-15,284	-15,284
<b>172,282</b>	<b>184,771</b>	<b>Total Unusable Reserves</b>	<b>102,496</b>	<b>114,108</b>

### Revaluation Reserve

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

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

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

## Notes to the Accounts

Authority	Group		Authority	Group
2019/20	2019/20		2020/21	2020/21
£'000	£'000		£'000	£'000
<b>379,632</b>	<b>389,964</b>	<b>Balance at 1st April</b>	<b>373,016</b>	<b>385,505</b>
		Upward revaluation of assets -		
45,213	47,370	Cost	37,652	36,775
23,525	23,525	Depreciation	23,845	23,845
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services -		
-58,710	-58,710	Cost	-52,467	-52,467
1,799	1,799	Depreciation	1,834	1,834
<b>11,827</b>	<b>13,984</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>10,864</b>	<b>9,987</b>
-18,249	-18,249	Difference between fair value depreciation and historical cost depreciation	-14,787	-14,787
-194	-194	Accumulated gains on assets sold or scrapped	-69	-69
<b>-18,443</b>	<b>-18,443</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>-14,856</b>	<b>-14,856</b>
<b>373,016</b>	<b>385,505</b>	<b>Balance at 31st March</b>	<b>369,024</b>	<b>380,636</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or subsequent costs of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



## Notes to the Accounts

2019/20 £'000		2020/21 £'000
<b>589,739</b>	<b>Balance at 1st April</b>	<b>635,519</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
-50,604	Charges for depreciation and impairment of non-current assets	-48,908
-4,940	Revaluation losses(-)/gains on Property, Plant and Equipment	3,151
-81	Amortisation of intangible assets	-133
-8,169	Revenue expenditure funded from capital under statute (REFCUS)	-29,438
-870	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-929
<b>-64,664</b>		<b>-76,257</b>
18,443	Adjusting amounts written out of the Revaluation Reserve	14,856
<b>-46,221</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>-61,401</b>
	<b>Capital financing applied in the year:</b>	
5,055	Use of the Capital Receipts Reserve to finance new capital expenditure	2,097
44,031	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	95,285
13,625	Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances	14,902
31,243	Capital expenditure charged against the HRA and General Fund balances	33,934
<b>93,954</b>		<b>146,218</b>
-1,953	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-8,192
<b>635,519</b>	<b>Balance at 31st March</b>	<b>712,144</b>

## Notes to the Accounts

### Pensions Reserve

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

2019/20 £'000		2020/21 £'000
<b>-823,404</b>	<b>Balance at 1st April</b>	<b>-824,450</b>
39,710	Remeasurements of the net defined benefit liability/asset(-)	-100,360
-88,790	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-85,620
-1,520	Past service cost adjustment	-820
49,554	Employer's pensions contributions and direct payments to pensioners payable in the year	50,156
<b>-824,450</b>	<b>Balance at 31st March</b>	<b>-961,094</b>

## Notes to the Accounts

### Accumulated Absences Account

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

2019/20 £'000		2020/21 £'000
-8,578	<b>Balance at 1st April</b>	-9,500
8,578	Settlement or cancellation of accrual made at the end of the preceding year	9,500
-9,500	Amounts accrued at the end of the current year	-15,284
-922	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	-5,784
-9,500	<b>Balance at 31st March</b>	-15,284

### 23. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
1,107	Interest received	244
-22,794	Interest paid	-22,734
-21,687		-22,490

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

2019/20 £'000		2020/21 £'000
47,868	Depreciation	46,540
9,629	Impairment and downward revaluations	7,409
81	Amortisation	133
3,683	Increase/decrease(-) in creditors	20,358
-34,341	Increase(-)/decrease in debtors	-32,737
-288	Increase(-)/decrease in inventories	-237
40,756	Movement in pension liability	36,284

## Notes to the Accounts

2019/20 £'000		2020/21 £'000
-870	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-929
-543	Other non-cash items charged to the net surplus or deficit on the provision of services	4,223
<b>65,975</b>		<b>81,044</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2019/20 £'000		2020/21 £'000
-47,044	Any other items for which the cash effects are investing or financing cash flows	-99,146
<b>-47,044</b>		<b>-99,146</b>

### 24. Reconciliation of Liabilities arising from Financing Activities

	2020/21	Financing cash flows	Changes which are not financing cash flows		2020/21
	1 April		Acquisition	Other non- financing cash flows	31 March
	£'000		£'000	£'000	£'000
Long-term borrowings	551,656	12,169	0	0	563,825
Short-term borrowings	10,891	-3,717	0	0	7,174
Lease liabilities	0	0	0	0	0
<b>Total liabilities from financing activities</b>	<b>562,547</b>	<b>8,452</b>	<b>0</b>	<b>0</b>	<b>570,999</b>
	2019/20	Financing cash flows	Changes which are not financing cash flows		2019/20
	1 April		Acquisition	Other non- financing cash flows	31 March
	£'000		£'000	£'000	£'000
Long-term borrowings	554,373	-2,717	0	0	551,656
Short-term borrowings	6,870	4,021	0	0	10,891
Lease liabilities	0	0	0	0	0
<b>Total liabilities from financing activities</b>	<b>561,243</b>	<b>1,304</b>	<b>0</b>	<b>0</b>	<b>562,547</b>

The long term borrowing figures above are different to the long term borrowing figures on the Balance Sheet as the figures on the Balance Sheet include non cash items. Examples of non cash items would be accrued interest, debtors and creditors.

## Notes to the Accounts

### 25. Trading Operations

In accordance with the Service Reporting Code of Practice (SeRCOP) which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) the Authority undertakes a number of activities which are defined as trading activities within the meaning of the Code.

All the Authority's trading operations are an integral part of one of the Authority's services to the public and are incorporated into the Comprehensive Income and Expenditure Statement.

2020/21			
	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,073	1,557	2,516
Grand Theatre	1,026	1,679	-653
Indoor Market	1,162	1,012	150
Council Catering including school meals	5,415	7,027	-1,612
Trade Waste	2,036	1,770	266
Swansea Marina	347	292	55
	<b>14,059</b>	<b>13,337</b>	<b>722</b>

2019/20			
	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,480	2,247	2,233
Grand Theatre	2,879	3,989	-1,110
Indoor Market	986	712	274
Council Catering including school meals	7,254	8,562	-1,308
Trade Waste	2,283	1,771	512
Swansea Marina	305	272	33
	<b>18,187</b>	<b>17,553</b>	<b>634</b>

### 26. Members' Allowances

The Authority paid the following amounts to members of the Council during the year.

	2019/20 £'000	2020/21 £'000
Allowances	1,580	1,600
Expenses	12	1
<b>Total</b>	<b>1,592</b>	<b>1,601</b>

## Notes to the Accounts

### 27. Officers' Remuneration

(a) The following tables set out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year.

Table 1 - 2020/21						
	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (24.7%) £	Total remuneration including pension contributions £	
Chief Executive *	152,671	0	152,671	0	152,671	
Deputy Chief Executive & Director of Resources	122,750	0	122,750	30,258	153,007	
Director of Education (a)	78,938	25,724	104,662	17,486	122,148	
Director of Place	115,043	0	115,043	28,282	143,325	
Director of Social Services	117,230	0	117,230	28,956	146,186	
Chief Transformation Officer	92,532	0	92,532	24,264	116,796	
Monitoring Officer & Chief Legal Officer	94,876	0	94,876	23,353	118,229	
Section 151 Officer & Chief Finance Officer	106,003	0	106,003	26,101	132,104	
Head of Education Planning & Resources	83,888	0	83,888	20,720	104,608	
Head of Achievement & Partnership Service (b)	35,841	0	35,841	8,853	44,694	
Head of Building Services	77,862	0	77,862	19,232	97,094	
Head of Cultural Services	88,986	0	88,986	21,980	110,966	
Head of Highways & Transportation	88,986	0	88,986	21,980	110,966	
Head of Housing & Public Health	77,862	0	77,862	19,232	97,094	
Head of Planning & City Regeneration	88,986	0	88,986	21,980	110,966	
Head of Property Services	78,401	0	78,401	19,232	97,633	
<b>Balance c/f</b>	<b>1,500,856</b>	<b>25,724</b>	<b>1,526,580</b>	<b>331,907</b>	<b>1,858,487</b>	

## Notes to the Accounts

Table 1 - 2020/21 continued

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (24.7%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,500,856</b>	<b>25,724</b>	<b>1,526,580</b>	<b>331,907</b>	<b>1,858,487</b>
Head of Waste, Cleansing & Parks	88,986	0	88,986	21,980	110,966
Head of Commercial Services	77,862	0	77,862	19,232	97,094
Deputy Monitoring Officer & Deputy Chief Legal Officer	67,068	0	67,068	16,485	83,553
Deputy Section 151 Officer & Deputy Chief Finance Officer	63,958	0	63,958	15,798	79,756
Head of Communications & Marketing	77,862	0	77,862	19,232	97,094
Head of Adult Services (c)	16,326	0	16,326	2,562	18,889
Interim Head of Adult Services (Learning Disability / Mental Health / Service Provision & Safeguarding) (d)	62,583	0	62,583	15,458	78,041
Head of Child & Family (e)	52,526	0	52,526	10,990	63,516
Head of Child & Family (f)	44,029	0	44,029	10,875	54,904
Interim Director of Education (g) (l)	43,296	0	43,296	10,694	53,990
Interim Head of Revenues & Benefits (h)	27,809	0	27,809	6,869	34,677
Interim Head of Service Centre (i)	30,589	0	30,589	7,556	38,145
Interim Head of Integrated Services (j)	5,992	0	5,992	0	5,992
Interim Head of Achievement & Partnership Service (k)	42,176	0	42,176	10,417	52,593
Director of Education (m)	15,410	0	15,410	3,806	19,217
<b>Balance c/f</b>	<b>2,217,327</b>	<b>25,724</b>	<b>2,243,051</b>	<b>503,860</b>	<b>2,746,912</b>

## Notes to the Accounts

\* In 2020/21 the Chief Executive received no additional remuneration for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections.

No bonus payments or benefit in kind payments were made to the Officers detailed in these notes.

- (a) The Director of Education retired on 18th November 2020.
- (b) The Head of Achievement & Partnership Service is the Interim Director of Education since 11th September 2020.
- (c) The Head of Adult Services left the Authority on 10th May 2020.
- (d) The Interim Head of Adult Services (Learning Disability / Mental Health / Service Provision & Safeguarding) commenced on 20th May 2020.
- (e) The Head of Child and Family retired on 30th September 2020.
- (f) The Head of Child and Family commenced on 21st September 2020.
- (g) The Interim Director of Education commenced on 11th September 2020.
- (h) The Interim Head of Revenues & Benefits commenced on 1st October 2020.
- (i) The Interim Head of Service Centre commenced on 1st October 2020.
- (j) The Interim Head of Integrated Services commenced on 5th May 2020. The Interim Head of Integrated Services is on secondment from Swansea Bay University Health Board.
- (k) The Interim Head of Achievement & Partnership Service was remunerated from 1st September 2020 in a handover period prior to the Head of Achievement & Partnership Service becoming the Interim Director of Education on 11th September 2020.
- (l) The Interim Director of Education is the Director of Education since 8th February 2021.
- (m) The Director of Education commenced on 8th February 2021.



## Notes to the Accounts

The following tables set out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year.

Table 1 - 2019/20						
	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (25.8%) £	Total remuneration including pension contributions £	
Chief Executive (a) *	148,584	0	148,584	19,167	167,751	
Deputy Chief Executive & Director of Resources	117,550	0	117,550	30,263	147,813	
Director of Education	105,941	0	105,941	27,333	133,274	
Director of Place	109,853	0	109,853	28,067	137,920	
Director of Social Services	111,439	0	111,439	28,751	140,190	
Chief Transformation Officer	94,813	0	94,813	24,462	119,275	
Monitoring Officer & Chief Legal Officer	92,355	0	92,355	23,740	116,095	
Section 151 Officer & Chief Finance Officer	100,467	0	100,467	25,835	126,302	
Head of Vulnerable Learner Service (b) (c)	43,055	0	43,055	10,997	54,052	
Head of Education Planning & Resources	68,877	0	68,877	17,770	86,647	
Head of Achievement & Partnership Service	80,790	0	80,790	20,844	101,634	
Head of Building Services	73,072	0	73,072	18,853	91,925	
Head of Cultural Services	86,604	0	86,604	22,344	108,948	
Head of Highways & Transportation	86,604	0	86,604	22,344	108,948	
Head of Housing & Public Health	73,072	0	73,072	18,853	91,925	
<b>Balance c/f</b>	<b>1,393,075</b>	<b>0</b>	<b>1,393,075</b>	<b>339,623</b>	<b>1,732,698</b>	

## Notes to the Accounts

Table 1 - 2019/20 continued

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (25.8%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,393,075</b>	<b>0</b>	<b>1,393,075</b>	<b>339,623</b>	<b>1,732,698</b>
Head of Planning & City Regeneration	86,604	0	86,604	22,344	108,948
Head of Property Services	73,611	0	73,611	18,853	92,464
Head of Waste, Cleansing & Parks	86,604	0	86,604	22,344	108,948
Head of Commercial Services	75,778	0	75,778	19,551	95,329
Deputy Monitoring Officer & Deputy Chief Legal Officer	65,291	0	65,291	16,758	82,049
Interim Deputy Section 151 Officer & Interim Deputy Chief Finance Officer (d)	25,635	0	25,635	6,614	32,249
Head of Communications & Marketing	75,778	0	75,778	19,551	95,329
Interim Head of Adult Services (e)	48,911	0	48,911	12,619	61,530
Head of Adult Services (f)	36,373	0	36,373	11,929	48,302
Head of Child & Family	86,604	0	86,604	22,344	108,948
Interim Chief Executive (g)	13,833	0	13,833	0	13,833
Deputy Section 151 Officer & Deputy Chief Finance Officer (h)	33,905	0	33,905	8,747	42,652
Interim Director of Education (i)	17,140	0	17,140	4,422	21,563
<b>Balance c/f</b>	<b>2,119,143</b>	<b>0</b>	<b>2,119,143</b>	<b>525,698</b>	<b>2,644,841</b>

## Notes to the Accounts

\* In 2019/20 the Chief Executive received additional remuneration of £5,702 for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections. No bonus payments or benefit in kind payments were made to the Officers detailed in these notes.

- (a) The Chief Executive returned to work following long term sickness on 2nd June 2019.
- (b) The Head of Vulnerable Learner Service was the Interim Director of Education until 1st June 2019.
- (c) The Head of Vulnerable Learner Service retired on 31st December 2019.
- (d) The Interim Deputy Section 151 Officer & Interim Deputy Chief Finance Officer is the Deputy Section 151 Officer & Deputy Chief Finance Officer since 6th September 2019.
- (e) The Interim Head of Adult Services post came to an end on the 2nd December 2019.
- (f) The Head of Adult Services returned to work following maternity leave on 12th November 2019.
- (g) The Interim Chief Executive post came to an end on 31st May 2019.
- (h) The Deputy Section 151 Officer & Deputy Chief Finance Officer commenced on 6th September 2019.
- (i) The Interim Director of Education reverted back to the Head of Vulnerable Learner Service since 1st June 2019.

## Notes to the Accounts

(b) The number of employees (excluding Senior Officers) whose remuneration (excluding employer's pension contributions) was £60,000 or more, in bands of £5,000, were:

2019/20		2020/21
Number of employees	Remuneration Band	Number of employees
50	£60,000 - £64,999	44
25	£65,000 - £69,999	38
14	£70,000 - £74,999	16
7	£75,000 - £79,999	14
9	£80,000 - £84,999	5
5	£85,000 - £89,999	7
5	£90,000 - £94,999	3
1	£95,000 - £99,999	4
2	£100,000 - £104,999	1
0	£105,000 - £109,999	3
1	£125,000 - £129,999	0
<b>119</b>	<b>Total</b>	<b>135</b>

The remuneration bands above include one off payments regarding compensation for loss of office. These payments are not paid in return for services rendered to the Authority and are therefore not strictly remuneration, but the regulations covering disclosure of salary bandings require these amounts to be included in the calculation.

The numbers shown relate to Authority employees, which predominantly include teaching staff. The bandings above include nine teachers (2019/20 eight teachers) who are employed by voluntary aided schools. Senior Officers' remunerations are shown in the tables on pages 102 to 107.

The Authority is required to disclose the organisation's pay multiple. This is the ratio between the highest paid employee and the median earnings across the organisation. In 2020/21 the remuneration of the Chief Executive was £152,671 (2019/20 £148,584). This was 6.1 times (2019/20 6.5 times) the median remuneration of the organisation, which was £25,013 (2019/20 £22,776).

## Notes to the Accounts

(c) 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:

2020/21				
Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £20,000	7	22	29	205
£20,001 - £40,000	0	8	8	213
£40,001 - £60,000	0	3	3	158
£60,001 - £80,000	0	2	2	139
£80,001 - £100,000	0	1	1	94
£100,001 - £150,000	0	1	1	113
<b>Total</b>	<b>7</b>	<b>37</b>	<b>44</b>	<b>922</b>

2019/20				
Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £'000
£0 - £20,000	27	43	70	302
£20,001 - £40,000	1	14	15	161
£40,001 - £60,000	0	14	14	906
£60,001 - £80,000	0	3	3	213
£80,001 - £100,000	1	1	2	172
£100,001 - £150,000	1	2	3	342
<b>Total</b>	<b>30</b>	<b>77</b>	<b>107</b>	<b>2,096</b>

The average payback period against all early retirement / voluntary redundancy packages agreed for 2020/21 is less than 1 year.

## Notes to the Accounts

### 28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 and 2020/21:

2019/20 £'000		2020/21 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
123,652	Council Tax Income	130,297
80,013	Non Domestic Rates	78,175
242,197	Revenue Support Grant	261,206
0	Covid-19 Council Tax Loss Support Grant	2,584
6,087	21st Century Schools Programme, Childcare Grant and Community Hub grant	17,878
1,105	Local Transport Fund and Local Transport Network Fund	4,469
4,410	Active Travel Fund	4,754
9,210	Housing MRA Grant	9,220
727	Road Safety/Safe Route in Communities	1,186
2,901	Targeted Regeneration Investment Programme	2,372
6,085	General Capital Grant	6,501
3,052	Schools Capital Maintenance grant	3,636
1,228	European Regional Development Fund	988
346	Coastal Risk Management Programme	533
1,943	High Street Rate Relief	-13
1,190	Highways Refurbishment grant	1,190
1,580	Innovative Housing Programme	2,166
2,177	Intermediate Care Fund	0
725	Reducing Infant Class sizes	707
0	Welsh Medium Schools Capital Grant	1,574
0	Hwb Schools IT Infrastructure	546
0	Economic Stimulus and Regional Stimulus Grants	1,809
0	Housing Homelessness Capital Grant	1,437
0	Waste and Recycling Capital Grants	1,120
0	City Deal Grant	11,042
4,376	Gifted Assets	1,937
2,677	Other Grants and Contributions	2,624
<b>495,681</b>		<b>549,938</b>
	<b>Credited to Services</b>	
11,038	School Improvement Grant	9,008
39,709	Rent allowance subsidy	37,703
32,250	Rent rebate subsidy	29,492
11,081	Children and Communities Grant	11,451
13,953	Housing Support Grant	14,351
5,375	Department for Children, Education, Lifelong Learning and Skills	5,279
321	Environment and Sustainable Development Grant (ESD)	284
793	Housing Benefit Administration	876
6,701	Concessionary fares	6,742

## Notes to the Accounts

2019/20 £'000		2020/21 £'000
	<b>Credited to Services</b>	
6,995	Pupil Deprivation Grant	8,852
421	Communities for Work	801
448	Cynnydd Project (ESF)	448
147	Rural Development Plan	158
4,497	Bus Services Support Grant (BSSG)	5,498
4,169	Free Childcare	3,951
2,361	Sustainable Social Services	3,195
151	Funded Nursing Care	0
5,574	Integrated Care Fund	5,994
793	Schools Maintenance Grants (VA schools)	124
30	Sandfields Renewal Area	0
304	ENABLE grant	302
1,454	Sustainable Waste Management Grant (SWMG)	1,201
346	Affordable Housing Grant	208
3,104	Teacher Pay and Pensions	385
574	Professional Learning Fund	498
999	SCWWDP	617
506	Syrian Vulnerable Persons	450
2,133	Transformation Fund	2,803
1,052	Winter Pressures	468
770	Youth Support Group	742
617	EAL	0
526	Unaccompanied Asylum Seekers	405
496	Free School Meals	0
463	Pedagogy	403
419	RICS	483
575	Targeted Regeneration Investment Programme	1,156
0	Council Tax Reduction Scheme (CTRS)	677
0	Business Support Grant (BSG) Admin	731
0	Highways Maintenance Revenue Grant	714
0	TRI PEDG	2,743
0	Council Tax Court Costs	464
0	Covid Grant	44,831
0	ALN Covid Support	631
0	LA Education Grant	9,025
0	Bus Emergency Support Grant	7,452
0	Children and Young Person Funding	499
0	Bay Studios Hospital for SBUHB	21,589
9,040	Other Grants	11,938
<b>170,185</b>		<b>255,622</b>

### 29. Related Parties

The Authority 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.

#### a) Central Government

The Authority receives significant funding from the Welsh Government. Details of the sums received in respect of Revenue Support Grant and redistributed Non Domestic Rates are shown in the Comprehensive Income and Expenditure Statement, with details of other grant income being shown in note 28 to the Accounts.

#### b) Charitable and Voluntary Bodies

The Authority appoints members to represent it on numerous charitable and voluntary bodies which operate primarily within Swansea Council, as well as to a number of national bodies where it is deemed in the Authority's interest to be represented. Any transactions with these bodies are not significant.

#### c) Other Bodies

The Authority has appointed members and officers to a number of outside organisations which include the following:-

- ERW Joint Committee
- Gower College Swansea
- Mid and West Wales Fire Authority
- Swansea Bay Port Health Authority
- Swansea PSB (Public Services Board)
- University of Swansea Court
- Welsh Local Government Association Council

A full listing can be obtained from the Finance department, Civic Centre, Oystermouth Road, Swansea, SA1 3SN and on the Authority's website ([www.swansea.gov.uk/councillors](http://www.swansea.gov.uk/councillors)).

In respect of the Mid and West Wales Fire Authority and the Swansea Bay Port Health Authority, amounts are paid by the Authority in respect of levies and precepts to these bodies. The Section 151 Officer of the Council also acts as the Clerk and Treasurer of the Swansea Bay Port Health Authority.

Levies / Contributions paid to the two bodies were:-

Mid and West Wales Fire Authority:-	£13.741m (2019/20: £12.971m)
Swansea Bay Port Health Authority:-	£0.087 (2019/20: £0.086m)



## *Notes to the Accounts*

The Authority is responsible for the collection of Council Taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2020/21 was £25.069m (2019/20 £23.195m).

### **d) Subsidiary, Associates and Joint Ventures**

The Authority has an interest in three companies, details of which are shown on the next few pages:-

#### **The National Waterfront Museum Swansea - Joint Venture**

The National Waterfront Museum Swansea (“the Company”) is limited by guarantee and is a registered charitable trust (charity number 1090512). The Company has seven directors, of which three are appointed by Swansea Council, three by the National Museums and Galleries of Wales, with the seventh director being an independent chairman.

The purpose of the Company was to develop the National Industrial and Maritime Museum at Swansea which opened in Spring 2006. The Company derives its funds from several sources, including the Welsh Government, the National Museums and Galleries of Wales, the former Welsh Development Agency and the Heritage Lottery Fund.

During the 2002/03 financial year the Authority granted a lease to the Company of a substantial portion of the site on which the new museum has been developed. The lease was granted at a peppercorn rental and constitutes the Authority’s commitment to the scheme.

The museum has been leased to the National Museums and Galleries of Wales at a peppercorn rent by the Company. Due to the nature of the Company and its constitution there will be no direct beneficial interest arising to the Authority from its activities.

A contribution of £2,350 was made in 2020/21 (2019/20 £2,325) to National Waterfront Museum Swansea towards 50% of the governance costs of the charitable company. There was an outstanding creditor of £175 as at 31st March 2021 (2019/20 £3,236) . There was an outstanding debtor of zero as at 31st March 2021 (2019/20 £4,825). The charitable company is deemed to be influenced significantly by the Authority through its representation on the Board of Trustees.

The net assets of the National Waterfront Museum Swansea at 31st March 2021 are £18,205,052 (2019/20 £18,203,789).

Copies of the accounts of the Company are available from the National Waterfront Museum Swansea Project Office, Queens Buildings, Cambrian Place, Swansea SA1 1TW.

## Notes to the Accounts

### The Wales National Pool (Swansea) - Joint Venture

The Wales National Pool (Swansea) (“the Company”) is a company limited by guarantee. The purpose of the company is to operate the Wales National 50 Metre Pool which is located in Swansea.

Swansea Council was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea.

The pool complex is leased to the company at a peppercorn rent. Due to the nature of the facility, which is unlikely to show profitability, the development is not thought to have a high commercial value.

The pool complex was opened in April 2003.

Details of the Authority's transactions with the Company during the year as follows:-

2019/20 £'000		2020/21 £'000
363	Funding provided by the Authority towards operating costs of the pool	342
47	Sum paid for the free use of the pool by schools and other bodies	7
-1,025	Recharges of wages, salaries and other costs to the Company	-891

The Company has seven directors, of which three are appointed by Swansea Council, three by the University of Wales (Swansea), with the seventh director being an independent chairman.

By agreement with the University of Wales Swansea, the Authority funds 50 per cent of the operational deficit that the Company makes during its financial year which operates from 1st August to 31st July. There are no other guarantees in place that could increase the Authority's liability in respect of the operations of the Company.

There was an outstanding debtor of £127k (2019/20 £174k) and outstanding creditors of £235k (2019/20 £207k) as at 31st March 2021.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2021 were £3,714,000 (2019/20 £4,222,000).

Copies of the accounts of the Company are available from the University of Wales Swansea, Finance Department, Singleton Park, Swansea, SA2 8PP.

## *Notes to the Accounts*

### **Swansea Community Energy & Enterprise Scheme (SCEES) - Associate**

In 2017, Swansea Council purchased 100,000 shares of £1 in Swansea Community Energy & Enterprise Scheme. Swansea Community Energy & Enterprise Scheme is a community owned renewable energy company which was established by Swansea Council but is now run independently by a group of local Directors. The company develops and manages renewable energy projects for the benefit of residents in some of the more deprived areas in Swansea.

By agreement with SCEES £5,000 of the initial investment is repaid each year. The balance of shares now owned by the Authority is 85,000 shares of £1 each.

The Company has 6 Directors and one of the directors is a Cabinet Member of Swansea Council.

There was an outstanding debtor of £5,025 at 31st March 2021 (2019/20 £5,325) and no outstanding creditors at 31st March 2021 (2019/20 zero).

The net assets of Swansea Community Energy & Enterprise Scheme at 31st March 2021 were £458,523 (2019/20 £470,251).

There has been no consolidation for Swansea Community Energy & Enterprise Scheme due to the immateriality of the Company's results.

Copies of the accounts of the Company are available from Swansea Community Energy & Enterprise Scheme Limited, The Environment Centre, Pier Street, Swansea, SA1 1RY.

#### **e) Other Organisations**

Members of the Authority have direct control over the Authority's financial and operating policies.

A relation of a member of the Senior Management Team has provided therapy services to Western Bay Adoption Services via her own business . The amount paid for services provided in 2020/21 was £8,680 (2019/20 £26,383) . There were no outstanding creditors. The senior manager's interest in this company was properly recorded in the Register of interests.

A relation of a member of the Senior Management Team has provided artwork and workshops to the Authority via their own business . The amount paid for services provided in 2020/21 was £3,054 (2019/20 £0) . There were no outstanding creditors. The senior manager's interest in this company was properly recorded in the Register of interests.

## *Notes to the Accounts*

During 2020/21 a member was employed by Graham Evans and Partners. The amount paid in 2020/21 was £80,007 (2019/20 £0) The member's interest in this company was properly recorded in the Register of members interests which is available on the Authority's public website.

During 2020/21 a member was employed by VocalEyes Digital Democracy Ltd in Project Development. The amount paid in 2020/21 was £0 (2019/20 £11,466) The member's interest in this company was properly recorded in the Register of members interests which is available on the Authority's public website.

### **f) Duties imposed on Council Directors**

It is important to note that where Councillors are appointed to act as Directors of Companies or as Board Members of Statutory Agencies then they must, when carrying out such appointments, seek to act in the best interests of the Company/Statutory Body when acting in that official capacity.

### **g) Pension Fund**

Swansea Council acts as administering Authority for the Swansea Council Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 40 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a committee. The committee is advised by two independent advisors.

### **h) Swansea Bay City Deal**

The Swansea Bay City Deal is a £1.3bn investment in nine major projects across the Swansea Bay City Region - which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

The Swansea Bay City Deal is being led by the four regional local authorities through a Joint Committee Agreement, together with non-voting partners - Swansea Bay and Hywel Dda University Health Boards, Swansea University, the University of Wales Trinity Saint David.

Within the Joint Committee Agreement there is acknowledgement that all partners will contribute £50,000 per annum to support the central and administrative functions of the programme, as well as 1.5% "Top Slice" being applied to programme/project City Deal grant awards.

## Notes to the Accounts

Swansea Council's partnership contribution is fully paid up to 31st March 2021.

As at 31st March 2021, £11,203,320 of City Deal grant funding was awarded to Swansea Council. A "Top Slice" of 1.5% was applied (£168,050) and retained by the Swansea Bay City Deal as agreed by the Joint Committee, in respect of the agreed contribution to support the City Deal operational and administrative functions. The City Deal grant receipt by the authority during the financial year totalled £11,035,270.

Under the agreement of the Joint Committee (JC - 9th July 2020) costs in respect of the provision of support services by local authorities to the Swansea Bay City Deal were reincluded within the Joint Committee budget allowing for the recharge of those functions by authorities (omitted in the prior year 2019/20). As such expenditure was recharged during the financial year by Swansea Council for legal and democratic services in respect of the Joint Committee, Carmarthenshire Council for the accountable body function, Pembrokeshire Council for the provision of internal audit services and Neath Port Talbot CBC for democratic services in respect of the Joint Scrutiny Committee.

As agreed by the Joint Committee (JC - 11th June 2020) interest accumulated on Swansea Bay City Deal cash balances will be distributed to authorities on a programme/project basis aligned to their allocated grant.

Description	£
<b>Income</b>	
Legal and Democratic Services recharge	55,135
Interest Apportionment (derived from SBCD cash balances)	6,735
SBCD Grant Award	11,035,270
	<b>11,097,140</b>
<b>Expenditure</b>	
Partnership Contribution	-50,000
<b>Total Balance of Related Parties</b>	<b>11,047,140</b>

### 30. Group Accounts

The following are the dates of relevant company accounts used for consolidation:

- National Waterfront Museum Swansea - Draft Accounts for the year ending 31st March 2021.
- Wales National Pool Swansea - Management Accounts for the year ending 31st March 2021.

## Notes to the Accounts

The Wales National Pool Swansea financial year operates from the 1st August to the 31st July. The National Waterfront Museum Swansea financial year operates from 1st April to the 31st March. In the opinion of the Authority the use of the above information is likely to adequately reflect the extent and nature of group income and expenditure and assets and liabilities that exist as at 31st March 2021 and the use of current information would not be significant in relation to the group position as stated.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", all Group activities were classified as 'Continuing' during the year. There were no material acquisitions or discontinuations of services as defined by the Standard.

The total net assets of the Group can be analysed according to the relevant entity to which they relate, as follows:

31st March 2020 £'000		31st March 2021 £'000
1,123,241	Swansea Council (Parent)	1,247,371
9,102	National Waterfront Museum Swansea (Joint Venture)	9,103
14,600	Wales National Pool (Joint Venture)	13,469
<b>1,146,943</b>	<b>Net Assets Employed (exc. Pension Fund) *</b>	<b>1,269,943</b>
-824,450	Net Group Pension Fund Liabilities	-961,094
<b>322,493</b>	<b>Net Assets Employed</b>	<b>308,849</b>

\* Some of the component Group assets have been valued on a different basis to that used by the Authority. If the Wales National Pool had been valued at depreciated replacement cost then the asset would have a value of £27.022m.

\* The Wales National Pool currently has a net book value in the region of £3.8m. Given the material scale of the difference in value the Authority has restated their share of the higher valuation which results in an unrealised gain of £11.6m. It is expected that under the terms of the agreement the final value at the end of the lease (24th December 2023) will be zero. Therefore the difference in book valuations will be fully amortised by the 2023/24 Statement of Accounts.

Swansea Council (the Parent company) does not believe that it will receive a material benefit in the form of income or dividends from the related companies, and does not expect to make any contributions over and above the normal budgeted requirement. Since the related companies are limited by guarantee, any losses to the Authority will be limited to the value of the guarantee in each entity.

## Notes to the Accounts

### 31. Agency Services

The Authority carried out work on an agency basis for other organisations for which it is reimbursed. These amounts are excluded from the Authority's results. The significant agency services provided were:

2020/21							
Agency	Description	Expenditure £'000	Grant Income Received £'000	Grant Debtors £'000	Grant Creditors £'000	Grant Total £'000	
Welsh Government	Covid-19 Business Support grant	89,492	-89,492	0	0	-89,492	
Welsh Government	Covid-19 Business Restrictions grant	994	-994	0	0	-994	
Welsh Government	Covid-19 Carers Payments grant	10,194	-3,285	-6,909	0	-10,194	
Welsh Government	Covid-19 Statutory Sick Pay Support grant	218	-218	0	0	-218	
Welsh Government	Covid-19 Lockdown Discretionary grant	881	-874	-7	0	-881	
Welsh Government	Covid-19 Bursary start up grant	188	-188	0	0	-188	
Welsh Government	Covid-19 Freelancer grant	1,095	-1,095	0	0	-1,095	
Welsh Government	Covid-19 Business Restrictions Extension grant	1,284	-1,204	-80	0	-1,284	
Welsh Government	Covid-19 Self isolation payments	480	-480	0	0	-480	
Welsh Government	Bus Services Support grant	5,132	-5,190	0	9	-5,181	
Welsh Government	Bus Emergency Scheme grant	7,501	-7,452	0	0	-7,452	
Welsh Government	Town Centre loans	2,780	-8,737	0	0	-8,737	
Welsh Government	Welsh Government Owner Occupier Loans	267	-885	0	0	-885	
Welsh Government	Welsh Government Landlord Loans	880	-2,402	0	0	-2,402	
		<b>121,386</b>	<b>-122,496</b>	<b>-6,996</b>	<b>9</b>	<b>-129,483</b>	

## Notes to the Accounts

2019/20 Comparative figures						
Agency	Description	Expenditure £'000	Grant Income Received £'000	Grant Debtors £'000	Grant Creditors £'000	Total Grant £'000
Welsh Government	Covid-19 Business Support grant	0	0	0	0	0
Welsh Government	Covid-19 Business Restrictions grant	0	0	0	0	0
Welsh Government	Covid-19 Carers Payments grant	0	0	0	0	0
Welsh Government	Covid-19 Statutory Sick Pay Support grant	0	0	0	0	0
Welsh Government	Covid-19 Lockdown Discretionary grant	0	0	0	0	0
Welsh Government	Covid-19 Bursary start up grant	0	0	0	0	0
Welsh Government	Covid-19 Freelancer grant	0	0	0	0	0
Welsh Government	Covid-19 Business Restrictions Extension grant	0	0	0	0	0
Welsh Government	Covid-19 Self isolation payments	0	0	0	0	0
Welsh Government	Bus Services Support grant	3,968	-4,593	0	625	-3,968
Welsh Government	Bus Emergency Scheme grant	0	0	0	0	0
Welsh Government	Town Centre loans	0	-3,737	0	0	-3,737
Welsh Government	Welsh Government Owner Occupier Loans	251	-885	0	0	-885
Welsh Government	Welsh Government Landlord Loans	1,328	-2,402	0	0	-2,402
		<b>5,547</b>	<b>-11,617</b>	<b>0</b>	<b>625</b>	<b>-10,992</b>



### **Covid-19 Business Support grant**

There were various rounds of grant support and differing criteria for each grant. Grants were payable to businesses of specific types (e.g. retail, hospitality, leisure) that were liable for Non-Domestic rates. Broad guidance was issued by Welsh Government to aid local authorities in administering each round of grants. Other discretionary grants were also payable in other circumstances not related to liability for Non-Domestic rates. In 2020/21 there were 22,724 payments.

### **Covid-19 Carers Payments grant**

These are the two tranches of payments to carers announced by Welsh Government during the year as part of a nationwide scheme. The first tranche saw £500 payments to those involved in the direct delivery of Social Care. A second scheme with payments of up to £732 per person and covering a wider group of staff followed later in the year.

### **Covid-19 Statutory Sick Pay Support grant**

The statutory sick pay enhancement scheme supports social care workers who only get statutory sick pay when absent or are not eligible for SSP. It provides funding to allow employers to pay eligible workers at full pay if they cannot work due to Covid-19.

### **Covid-19 Bursary start up grant**

This grant is aimed at small businesses who started in 2019 or 2020 but are not eligible for any other Covid related support. There were 75 payments of £2,500 to applicants.

### **Covid-19 Freelancer grant**

This grant provided support to freelance workers in cultural and creative sectors. There were 428 payments of £2,500 to applicants.

### **Covid-19 Business Restrictions, Lockdown Discretionary and Business Restrictions Extensions grant (all termed Discretionary grants).**

Those businesses that were forced to close or materially impacted by the restrictions in place during the various lockdowns and did not qualify for NDR Covid-19 Business Support grants, could apply to the various phased discretionary grants for support. Depending on eligibility criteria these grants were amounts of £1,500 or £2,000 for the firebreak lockdown discretionary grant and a flat £2,000 award for the other discretionary grants listed. The number of payments is as follows:

Business Restrictions 497, Lockdown Discretionary 482, Business Restrictions Extension 642.

### **Covid-19 Self isolation payments**

Payments of £500 were issued on behalf of Welsh Government to people required to self isolate as a result of contracting Covid-19 or coming into contact with a person with Covid-19. Eligibility for these payments was expanded a number of times after the scheme was implemented and again, Welsh Government provided guidance documents to aid local authorities with their administration. In 2020/21 there were 960 payments.

### **Bus Services Support grant**

This is an annual Welsh Government grant that Swansea Council administers on behalf of the South West Wales region. The grant has two main purposes:

To provide a subsidy to local bus and community transport operators through the Live Kilometre Support Grant (LKSG) and secondly to provide funding to the four local authorities to support local bus and community transport services in their areas through the Local Transport Services Grant (LTSG). In 2020/21 there were approximately 175 financial transactions.

### **Bus Emergency Scheme grant**

This is a new grant received since September 2020. This is another grant that Swansea Council are administering on behalf of the South West Wales region to provide additional funding to local bus operators to make up for the lack of 'on bus' revenue as passenger numbers have plummeted and also because social distancing has had to be introduced on vehicles, which has meant duplicates having to be introduced at school peak times. The 2020/21 grant led to 94 financial transactions.

### **Town Centre Loans**

This repayable funding is offered for the purpose of reducing the number of vacant, underutilised and redundant sites and premises in town centres and to support the diversification of the town centres by encouraging more sustainable uses for empty sites and premises such as residential, leisure and for key services. Loan terms of up to seven years interest free can be offered and the Authority is tasked with recycling the funding three times prior to the fifteen year award term from the Welsh Government.

### **Welsh Government Owner Occupier Loans**

These are an interest free loan to carry out repairs and improvement to owner occupied properties, subject to an affordability test, repayable in monthly instalments up to a ten year period.

### **Welsh Government Landlord Loans**

These are an interest free loan to bring empty properties back into use or to carry repairs to existing rented properties for landlords, repayable in full in three years if intending to sell the property or five years if letting the property.

## Notes to the Accounts

### 32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2019/20 £'000		2020/21 £'000
<b>504,878</b>	<b>Opening Capital Financing Requirement</b>	<b>541,806</b>
	<b>Capital investment</b>	
121,370	Property, Plant and Equipment	169,051
1,059	Heritage Assets	224
0	Investment Properties	7,480
284	Intangible Assets	192
8,169	Revenue Expenditure Funded from Capital under Statute	29,438
	<b>Sources of finance</b>	
-5,055	Capital receipts	-2,097
-44,031	Government grants and other contributions	-95,285
	Sums set aside from revenue:	
-31,243	Direct revenue contributions	-33,934
-13,625	MRP/loans fund principal	-14,902
<b>541,806</b>	<b>Closing Capital Financing Requirement</b>	<b>601,973</b>
	<b>Explanation of movements in year</b>	
35,354	Increase in underlying need to borrowing	52,459
287	Assets acquired under finance leases	441
1,287	Other movements in year	7,267
<b>36,928</b>	<b>Increase/decrease(-) in Capital Financing Requirement</b>	<b>60,167</b>

### **33. Termination Benefits**

During 2020/21 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs.

In particular on 17th November 2011, in order to meet significant budget savings required for the financial year 2011/12 and onwards, the Cabinet authorised officers to seek expressions of interest for voluntary redundancy and/or early retirement from within selected employee groups of the Authority in accordance with the Authority's agreed ER/VR policy. The offer remains extant on a rolling basis.

Costs were incurred relating to redundancy payments and early access to pension costs totalling £0.922m (2019/20 £2.096m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2021/22 but who had been offered - and accepted - severance terms as at 31st March 2021.

All costs relating to termination benefits have been included as part of service definitions within the Comprehensive Income and Expenditure Statement.

The above costs include both teaching and non teaching staff.

### **34. Pension Schemes Accounted For As Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pensions Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

## Notes to the Accounts

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as a basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 11,000 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2021, the Authority's own contributions equate to approximately 0.3%.

In 2020/21 the Authority paid £18.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.7% of pensionable pay. The figures for 2019/20 were £15.7m and 20.7%. The March 2021 contributions of £1,519,317 were paid on the 7th April 2021. The contributions due to be paid in the next financial year are estimated to be £19.1m at an employer rate of 23.68%.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 35.

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

### 35. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the City and County of Swansea - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

## *Notes to the Accounts*

- 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 City and County of Swansea pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the City and County of Swansea. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and the committee consist of the Chief Finance Officer, Council members and independent investment advisers.

The principal risks to the Authority 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 Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### **Transactions Relating to Post-employment Benefits**

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

## Notes to the Accounts

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Net Cost of Services:</b>				
Current service cost	67.22	69.61	0.00	0.00
Past service costs	0.70	1.52	0.12	0.00
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	16.36	16.86	2.04	2.32
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>84.28</b>	<b>87.99</b>	<b>2.16</b>	<b>2.32</b>
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
Return on plan assets	-289.15	128.64	0.00	0.00
Actuarial gains(-) and losses arising on changes in demographic assumptions	0.00	-68.43	0.00	-3.25
Actuarial gains(-) and losses arising on changes in financial assumptions	400.79	-37.95	8.47	-0.91
Other	-18.95	-57.34	-0.80	-0.47
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>176.97</b>	<b>52.91</b>	<b>9.83</b>	<b>-2.31</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-84.28	-87.99	-2.16	-2.32
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to the scheme	44.38	43.55		
Retirement benefits payable to pensioners			5.78	6.00

## Notes to the Accounts

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
Present value of the defined benefit obligation	2,297.22	1,838.96	95.25	91.20
Fair value of plan assets	1,431.37	1,105.70	0.00	0.00
<b>Net liability arising from defined benefit obligation</b>	<b>-865.85</b>	<b>-733.26</b>	<b>-95.25</b>	<b>-91.20</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
Opening fair value of scheme assets	1,105.70	1,195.68	0.00	0.00
Interest income	25.57	28.82	0.00	0.00
Remeasurement gain/loss(-):				
The return on plan assets, excluding the amount included in the net interest expense	289.15	-128.64	0.00	0.00
Contributions from employer	44.38	43.55	5.78	6.00
Contributions from employees into the scheme	11.16	10.67	0.00	0.00
Benefits paid	-44.59	-44.38	-5.78	-6.00
<b>Closing fair value of scheme assets</b>	<b>1,431.37</b>	<b>1,105.70</b>	<b>0.00</b>	<b>0.00</b>



## Notes to the Accounts

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
Opening Balance at 1st April	1,838.96	1,919.58	91.20	99.51
Current service cost	67.22	69.61	0.00	0.00
Interest cost	41.93	45.68	2.04	2.32
Contributions from scheme participants	11.16	10.67	0.00	0.00
Remeasurement gains(-) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	0.00	-68.43	0.00	-3.25
Actuarial gains/losses arising from changes in financial assumptions	400.79	-37.95	8.47	-0.91
Other	-18.95	-57.34	-0.80	-0.47
Past service cost	0.70	1.52	0.12	0.00
Benefits paid	-44.59	-44.38	-5.78	-6.00
<b>Closing balance at 31st March</b>	<b>2,297.22</b>	<b>1,838.96</b>	<b>95.25</b>	<b>91.20</b>

### Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2020/21 £'000	2019/20 £'000
Cash and cash equivalents	40,346	43,669
	<b>40,346</b>	<b>43,669</b>
Pooled Equity Investment Vehicles		
- UK	0	0
- Global *	1,879,292	1,393,278
	<b>1,879,292</b>	<b>1,393,278</b>
Property	96,357	99,854
	<b>96,357</b>	<b>99,854</b>

## Notes to the Accounts

	Fair value of scheme assets	
	2020/21 £'000	2019/20 £'000
Fixed Interest:		
- Fixed Interest	230,537	223,917
- Index-Linked	35,919	35,111
	<b>266,456</b>	<b>259,028</b>
Hedge Funds	60,062	49,971
	<b>60,062</b>	<b>49,971</b>
Private Equity	130,538	91,997
	<b>130,538</b>	<b>91,997</b>
Infrastructure	75,742	33,635
	<b>75,742</b>	<b>33,635</b>
Private Debt	37,506	11,798
	<b>37,506</b>	<b>11,798</b>
Derivatives	2,637	1,811
	<b>2,637</b>	<b>1,811</b>
Cash Funds	4,330	773
	<b>4,330</b>	<b>773</b>
Cash - Dividends Due	40	0
	<b>40</b>	<b>0</b>
Net Current Assets	4,680	2,208
	<b>4,680</b>	<b>2,208</b>
<b>Total Assets</b>	<b>2,597,986</b>	<b>1,988,022</b>

\* Note - The three segregated equity funds with JP Morgan, Aberdeen and Schroders UK were transitioned in January 2019 to the Wales Pension Partnership Global Opportunities Fund, a Pooled Equity Investment Vehicle.

## Notes to the Accounts

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2019.

The significant assumptions used by the Actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2019/20	2020/21	2019/20
Mortality assumptions:				
Longevity at 65 for current pensioners: (years)				
- Men	22.3	22.2	22.3	22.2
- Women	24.3	24.2	24.3	24.2
Longevity at 65 for future pensioners: (years)				
- Men	23.3	23.2		
- Women	25.8	25.7		
Rate of inflation %	2.7	2.0	2.7	2.0
Rate of increase in salaries %	4.2	3.5		
Rate of increase in pensions %	2.7	2.0	2.7	2.0
Rate for discounting scheme liabilities %	2.1	2.3	2.1	2.3

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.

## Notes to the Accounts

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	2,214.52	2,382.22
Rate of increase in salaries (increase or decrease by 0.1%)	2,306.41	2,288.03
Rate of increase in pensions (increase or decrease by 0.1%)	2,336.27	2,258.17
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,248.98	2,345.46

### Asset and Liability Matching (ALM) Strategy

The pensions committee of the City and County of Swansea has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments.

As is required by the pensions and investment regulations the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (77.6% of scheme assets) and bonds (11.5%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is as at 31st March 2022.

## Notes to the Accounts

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 31st March 2014. 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 Authority expects to pay £45.51m contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 20.8 years (2019/20 20.8 years).

### 36. Contingent Liabilities

The Authority has identified a number of contingent future liabilities arising from current and past activities.

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Personal Social Services	Unknown	Relates to potential negligence claims relating to those cared for by the Council or its contractors. The Authority is not currently aware of any major claims.	Unknown
Infrastructure and retaining walls	Unknown	There are potential claims regarding infrastructure and retaining walls which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding.	Unknown
Retention or Clawback on Grant and Contract Claims	Unknown	The Council undertakes a range of activities under which payment is made specifically on evidenced performance over an extended period. Full receipt is not guaranteed until the end of the grant or contract period. There is potential risk that grant clawback may arise if not all grant terms and conditions are fulfilled.	Unknown

## Notes to the Accounts

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Equal pay and Equal Value claims	Unknown	<p>During 2008/2009 and 2009/10, in common with many other local authorities, the Authority made payments to certain staff in full settlement of potential equal pay claims. However, a number of claims remained unsettled and a considerable number of additional claims were subsequently received. The Authority has settled the majority of the liabilities by the 31st March 2016 but there are still some costs yet to be incurred.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p>	2021/22
Landlord / Tenant Liability Claims	Unknown	There is potential risk around lease/HRA properties where there are disputes as to whether it is a tenant or landlord property maintenance obligation.	Unknown
Flooding	Unknown	There are potential claims regarding flooding which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding.	Unknown
Legal and Insurance related matters	Unknown	The Council is regularly challenged on a range of issues that are either subject to litigation or insurance claims. The Council at all times will vigorously defend such claims, and in cases where claims are identified, the result can be anticipated and the potential financial effect evaluated then adequate provision is made with the Accounts for any such liabilities. There remains the possibility however of future claims arising as a result of past actions that are either unknown at the Balance Sheet date or where the outcome is so unpredictable in terms of outcome or financial liability that no reliable estimate of liability can be made.	Unknown

## Notes to the Accounts

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
City Deal	Circa £1m	The Council has incurred initial work up costs on a range of regeneration and redevelopment schemes within the City Centre using a mix of its own funds and Welsh Government support. These continue to be considered capital and thus treated accordingly but the final build out of schemes is heavily contingent upon future decisions. Certainty is now in place for Phase 1 including the Arena and associated schemes via the UK and Welsh Government city deal funding. However Phase 2 decisions have yet to be made by Council and if Phase 2 schemes were not to progress, for any reason, the costs incurred to date would potentially need to be written back to revenue.	2020/21 and beyond
Client care costs	Circa £1m	The interface between local authority social care, and to a much lesser extent some specialist education provision, and local health boards and other local authorities is a complex one involving discussion and decisions on lead responsibility for payment of client care costs, and in some cases appropriate sharing of costs.	Ongoing
Withdrawal from ERW	Unknown	The reorganisation of School Improvement Consortia footprint may result in redundancy costs at ERW. Whilst every effort is being made to ensure these are minimised, the Council would be liable for a proportion of any such costs.	2021/22

## Notes to the Accounts

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Covid-19	Unknown	Towards the end of the preceding year the Authority in line with actions around the whole world was repurposed to respond to the growing Covid-19 pandemic as an emergency responder to save lives and keep essential services running. The position remains fluid and far from assured a further year on. Costs incurred at this stage, future costs, plus income foregone now, and for the immediate future, and the impact and scope for recovery of costs and losses across all operations, and partners, including UK and Welsh Governments cannot be assessed with any final accuracy at year end but are bound to be very substantial for Swansea Council alone (expected to continue to be many tens of millions of pounds). It will have a profound and material impact on the coverage of the accounts, their completeness, timeliness and accuracy.	2020/21 & 2021/22

### 37. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been grouped into nine valuation bands using 1st April 2003 values for this specific purpose. Charges are calculated by taking the amount of Income required for the Council, South Wales Police Authority and community councils for the forthcoming year and dividing the amount by the Council Tax base.

The Council Tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 91,923 in 2020/2021 (90,069 in 2019/2020).

Council Tax bills are based on multipliers for bands A to I. The following table shows the multiplier applicable to each band together with the equivalent number of Band 'D' properties within each band. In addition there is one lower band (A\*) designed to offer the appropriate discount in respect of disabled dwellings where legislation allows a reduction in banding to that one below the band in which the property is actually valued.

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97.5% (98% in 2019/20) to arrive at the Council Tax base for the year.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band 'D' Number	19	9,303	18,607	18,681	14,364	13,678	10,475	5,863	2,200	1,090



## Notes to the Accounts

Analysis of the net proceeds from Council Tax:

2019/20 £'000		2020/21 £'000
146,406	Council tax collectable	157,751
-1,295	Less:- Provision for non payment of Council tax	-4,271
-21,459	Less:- Council Tax Support Scheme	-23,183
<b>123,652</b>	<b>Net proceeds from Council Tax</b>	<b>130,297</b>

Application of Council Tax proceeds:

2019/20 £'000		2020/21 £'000
144,310	City & County of Swansea precept	154,343
1,465	Community Council precept	1,582
<b>145,775</b>	<b>Council Tax requirement</b>	<b>155,925</b>
-21,459	Less:- Council Tax Support Scheme	-23,183
-664	Transfer to reserves (Surplus/Deficit)	-2,445
<b>123,652</b>	<b>Net application of proceeds</b>	<b>130,297</b>

### 38. Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Welsh Government specifies an amount of the rate per pound of rateable value which for 2020/21 was 0.535p (0.526p in 2019/20) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NDR Pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population. The rateable value for 2020/21 was £185.527m (2019/20 £186.507m).

### 39. Nature and extent of risks arising from Financial Instruments

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might rise for the Authority as a result of changes in such measures as interest rates and stock market movements.

## *Notes to the Accounts*

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit Risk**

Credit risk arises from deposits with banks, building societies and other local authorities as well as credit exposures to the Authority's customers.

The risk is minimised through the Annual Investment Strategy which outlines the minimum credit criteria required for the Authority. The full details of the credit criteria are outlined in the previously published Treasury Management Strategy report available on the Council's website.

### **Credit Risk Management Practices**

The Authority's credit risk management practices are set out in the Annual Treasury Management Investment Strategy presented to Council in February 2021.

## Notes to the Accounts

### Amounts Arising from Expected Credit Losses

The changes in the loss allowance during the year are as follows:

#### Loss allowance by Asset Class

Asset Class (amortised cost)	12-month expected credit losses £'000	Lifetime expected credit losses – not credit impaired £'000	Lifetime expected credit losses – credit impaired £'000	Lifetime expected credit losses – simplified approach £'000	Purchased or originated credit impaired financial assets £'000	Total £'000
<b>Opening balance as at 1 April 2020</b>	0	0	0	6,225	0	6,225
Transfers:						
• Individual financial assets transferred to 12-month expected credit losses	0	0	0	0	0	0
• Individual financial assets transferred to lifetime expected credit losses	0	0	0	0	0	0
• Individual financial assets transferred to lifetime expected credit losses credit impaired	0	0	0	0	0	0
New financial assets originated or purchased	0	0	0	1,271	0	1,271
Amounts written off	0	0	0	-218	0	-218
Financial assets that have been derecognised	0	0	0	0	0	0
Changes due to modifications that did not result in derecognition	0	0	0	0	0	0
Changes in models/risk parameters	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
<b>Balance as at 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,278</b>	<b>0</b>	<b>7,278</b>

## Notes to the Accounts

### Loss allowance by Asset Class - Comparative year information

Asset Class (amortised cost)	12-month expected credit losses £'000	Lifetime expected credit losses – not credit impaired £'000	Lifetime expected credit losses – credit impaired £'000	Lifetime expected credit losses – simplified approach £'000	Purchased or originated credit impaired financial assets £'000	Total £'000
<b>Opening balance as at 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,989</b>	<b>0</b>	<b>2,989</b>
Transfers:						
• Individual financial assets transferred to 12-month expected credit losses	0	0	0	0	0	0
• Individual financial assets transferred to lifetime expected credit losses	0	0	0	0	0	0
• Individual financial assets transferred to lifetime expected credit losses credit impaired	0	0	0	0	0	0
New financial assets originated or purchased	0	0	0	3,411	0	3,411
Amounts written off	0	0	0	-175	0	-175
Financial assets that have been derecognised	0	0	0	0	0	0
Changes due to modifications that did not result in derecognition	0	0	0	0	0	0
Changes in models/risk parameters	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
<b>Balance as at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,225</b>	<b>0</b>	<b>6,225</b>

## Notes to the Accounts

### Credit Risk Exposure

The Authority has the following exposure to credit risk at 31 March 2021:

	Credit risk rating	Gross carrying amount £'000
12-month expected credit losses	PPP	0
	PP	0
	P	0
Significant increase in credit risk since initial recognition	QQQ	0
	QQ	0
	Q	0
Credit-impaired at 31 March	RRR	0
	RR	0
	R	0
Simplified approach	SSS	0
	SS	0
	S	0

### Liquidity Risk

The Authority has a cashflow management system to ensure cash is available when needed. If unexpected movements happen, the Authority has ready access to the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk may be bound to replenish a proportion of its borrowings at times of unfavourable interest rates. The Authority sets limits on the proportion of its fixed borrowing during specific periods and seeks to ensure an even maturity profile through a combination of planning when to take new loans and where economic when to make early repayments.

The maturity structure of financial liabilities at nominal value is as follows:

On 31 March 2020 £'000	Loans outstanding	On 31 March 2021 £'000
62,111	Less than 1 year	86,218
1	Between 1 and 2 years	1,361
6,094	Between 2 and 5 years	13,618
66,331	Between 5 and 10 years	64,663
478,362	More than 10 years	484,002
<b>612,899</b>	<b>Total</b>	<b>649,862</b>

All trade payables are included in less than one year.

## Notes to the Accounts

### Market Risk

#### Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance.

The Authority has a number of strategies for managing interest rate risk. The policy is to have up to a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to inform budget monitoring during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

	2020/21 £'000
Increase in interest payable on variable rate borrowings	580
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	259
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>839</b>
<b>Share of overall impact debited to the Housing Revenue Account</b>	<b>157</b>
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>

## Notes to the Accounts

	2020/21 £'000
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive I&E)	131,863

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

### Price Risk

The Authority does not generally invest in traditional equity shares.

### Foreign Exchange Risk

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

## *Housing Revenue Account 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 the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2019/20 £'000		Note	2020/21 £'000
13,519	Repairs and maintenance		12,954
14,335	Supervision and management		15,036
772	Rent, rates, taxes and other charges		934
5,664	Depreciation and impairment of non-current assets	3	7,313
71	Debt management costs		76
<b>34,361</b>	<b>Total Expenditure</b>		<b>36,313</b>
-63,268	Dwelling rents		-64,695
-99	Non-dwelling rents		-99
-3,169	Charges for services and facilities		-3,205
-1,359	Contributions towards expenditure		-990
<b>-67,895</b>	<b>Total Income</b>		<b>-68,989</b>
<b>-33,534</b>	<b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>-32,676</b>
754	HRA services' share of Corporate and Democratic Core		791
<b>-32,780</b>	<b>Net cost for HRA services</b>		<b>-31,885</b>
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
6,860	Interest payable and similar charges		6,735
-32	Interest and investment income		-4
1,113	Impairment Losses		394
959	Net interest on the net defined benefit liability/asset(-)		920
-9,210	Capital grants and contributions receivable		-12,823
<b>-33,090</b>	<b>Surplus(-)/Deficit for the year on HRA services</b>		<b>-36,663</b>



## *Movement on the Housing Revenue Account Statement*

2019/20 £'000		2020/21 £'000
6,156	Balance on the HRA at the end of the previous year	5,341
33,090	Surplus or deficit(-) for the year on the HRA Income and Expenditure Statement	36,663
-33,905	Adjustments between accounting basis and funding basis under statute	-35,760
<b>-815</b>	<b>Net decrease before transfers to or from reserves</b>	<b>903</b>
0	Transfers to/from(-) earmarked reserves	0
<b>-815</b>	<b>Increase or decrease(-) in the year on the HRA</b>	<b>903</b>
<b>5,341</b>	<b>Balance on the HRA at the end of the current year</b>	<b>6,244</b>

### Adjustments between accounting basis and funding basis under statute

#### Adjustments to Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

2,207	Pension costs (transferred to (or from) the Pensions Reserve)	2,052
0	Financial instruments (transferred to the Financial Instruments Adjustment Account)	0
-4	Holiday pay (transferred to the Accumulated Absences Reserve)	264
-3,546	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	-5,510
<b>-1,343</b>	<b>Total Adjustments to Revenue Resources</b>	<b>-3,194</b>

#### Adjustments between Revenue and Capital Resources

-3,038	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-3,366
-29,524	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-29,200
<b>-32,562</b>	<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-32,566</b>
<b>-33,905</b>	<b>Total Adjustments</b>	<b>-35,760</b>

## Notes to the Housing Revenue Account

### 1. Housing Stock

As at 31st March 2021 the Authority owned a total of 13,577 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

Restated 31/03/2020		31/03/2021
Units		Units
13,525	Stock at 1 <sup>st</sup> April	13,533
5	Additions (operational dwellings)	24
3	Additions (non-operational dwellings)	20
<b>13,533</b>	<b>Stock at 31<sup>st</sup> March</b>	<b>13,577</b>

The 2019/20 figures have been restated to include non-operational dwellings. The 3 dwellings purchased in 2019/20 became operational during 2020/21.

### 2. Capital expenditure

During 2020/21 £43.006m (2019/20 £53.438m) was spent on HRA Properties.

This was financed as follows:-

2019/20 £'000		2020/21 £'000
9,210	Grants – Major Repairs Allowance	9,220
1,754	Grants - Other	2,779
54	Capital Contributions	685
29,524	Revenue and Balances	29,200
12,896	Borrowing	1,122
<b>53,438</b>	<b>Total</b>	<b>43,006</b>

The Major Repairs Allowance was used in full in 2020/21 and 2019/20.

## Notes to the Housing Revenue Account

### 3. Depreciation charges and impairment

The total charge for depreciation and impairment made to the HRA for 2020/21 amounted to £7.313m (2019/20 £5.664m) and is analysed as follows:-

2019/20 £'000		2020/21 £'000
	Depreciation on operational assets	
5,818	- dwellings	7,159
19	- other property	24
0	Depreciation on non-operational assets	43
	Revaluation Losses on operational assets	
-177	- dwellings	0
0	- other property	0
0	Revaluation Losses on non-operational assets	74
	Impairment	
0	- dwellings	0
4	- other property	13
<b>5,664</b>	<b>Total</b>	<b>7,313</b>

The depreciation charge in respect of HRA assets is not an actual charge against the HRA Balance. It is reversed out in the Movement on the HRA Statement, and replaced with HRA Minimum Revenue Provision specified in the Item 8 Determination, via a transfer to or from the Capital Adjustment Account.

### 1. Scope of Responsibility

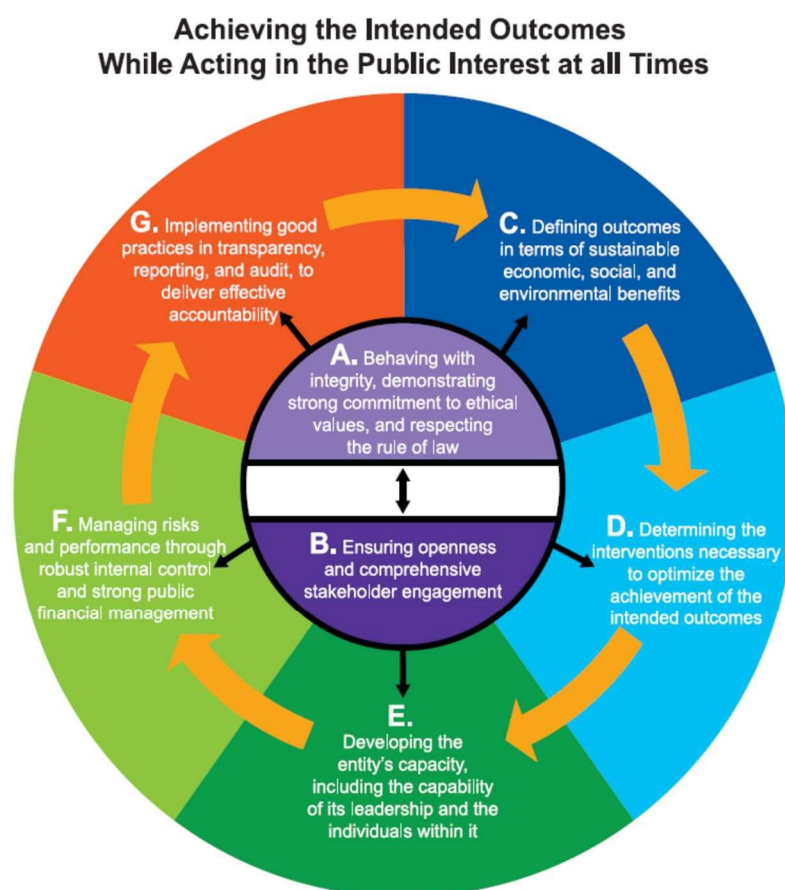
- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. A copy of the Code can be found on the Council's website.

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

- 3.1 The Council has adopted a Code of Corporate Governance based on the “*Delivering Good Governance in Local Government*” framework published by CIPFA and SOLACE in 2016.



- 3.2 This Statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018). The Council aims to achieve a good standard of governance by adhering to the 7 key principles of the CIPFA/Solace 2016 Guidance.

- 3.3 The 7 key principles are:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- F) Managing risks and performance through robust internal control and strong public financial management.
  - G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.
- 3.5 **Note - This Governance Statement and the issues set out within are likely to continue to be materially affected by the COVID-19 pandemic. In addition, the national lock down arrangements and the prioritisation of the response to COVID-19 has affected the preparation of the Statement. However, it should be noted that the Statutory Governance Chief Officers continue to maintain corporate grip to ensure that sufficient governance is maintained throughout this unprecedented crisis and during the recovery.**

## Principle A

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

### Sub Principles:

#### Behaving with Integrity

#### How we do this:

- The behaviour and expectations of officers/members is set out in the Constitution, Officer and Member Code of Conduct and Protocol.
- The Monitoring Officer provides training on the code of conduct and ensures the highest standards of conduct by the authority, members and officers – including use of Council email protocol.
- The Standards Committee is responsible for monitoring and scrutinising the standards of Members.
- Member led authority principles with training to senior officers and Cabinet members.
- Compliance with a suite of policies/rules set out in the Constitution.
- The Constitution sets out requirements as to gifts and hospitality and there are regular reminders circulated to both officers and members.
- Adoption of Member Dispute Resolution Protocol.
- Officers/members declarations of interest.
- Officer Secondary Employment Policy.

#### Demonstrating strong commitment to ethical values

- The Council's appraisal and recruitment system based on competencies, training and objectives underpin personal behaviours with ethical values.
- Commitment to working to promote high standards of performance based on the Nolan principles.
- Adoption of Welsh Government ethical ways of working.
- The Swansea Pledge.
- The Constitution contains comprehensive Procurement and Financial Procedure Rules.

#### Respecting the rule of law

- The Statutory officers and Members ensure compliance with legislative and regulatory requirements via a robust framework including the scheme of delegation, induction training, standing procedures and rules set out in the Constitution.
- Reports to Committees have legal/finance clearance.
- Robust Scrutiny and Call-In function.
- Robust audit challenge.
- External challenge from auditors, Ombudsman and other external agencies.
- The Monitoring Officer ensures the Council complies with statute and reports on any maladministration.
- An effective anti-fraud and corruption framework supported by a suite of policies i.e. whistleblowing.

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Sub Principles:

##### Openness

#### How we do this:

- The Council is committed to ensuring an open culture evidenced by open meetings and publication of agendas and minutes.
- A Forward Plan showing key decisions to be made by Council and Cabinet is published.
- There is appropriate Consultation and Engagement supporting the decision making process including annual budget consultation, co-production, engagement with trade unions and engagement with Disability and LGBT communities.
- There are Public questions at Council and Cabinet.
- There is engagement with children and young people to meet the requirement of the UNCRC.
- There is pre-decision scrutiny of Cabinet decisions and Call-In procedure
- Corporate risks are published.

##### Engaging comprehensively with institutional stakeholders

- The Council adopts a Team Swansea approach working as a whole Council and effectively engages with stakeholders to ensure successful and sustainable outcomes by:
  - targeting communications;
  - effective use of social media;
  - formal and informal meetings with key stakeholder groups i.e. External auditors, Welsh Government, Health board.
- The Council has an extensive range of partnerships to support the delivery of the Council's objectives including:
  - The Public Services Board.
  - The Safer Swansea Partnership.
- The Council has adopted the Community/Town Council Charter and facilitates the Community/Town Council forum meetings with the 24 Councils.

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

- The Council has appropriate structures in place to encourage public participation which is used to inform proposals and key decisions including:
  - A Consultation and Engagement Strategy.
  - A Co-production Framework.
  - "Have your Say" consultations on website.
  - The Scrutiny Programme Committee invites stakeholder contributions and participation.
  - A Staff Survey with responses considered by CMT/Senior Management.
  - A Complaints Policy and Annual Report to assess organisational learning and change.
  - The appointment of Councillor Champions who provide a voice for under-represented groups.
  - An Integrated Impact Assessment to assess the equality, socio-economic and sustainability impacts on people with protected characteristics and future generations.



## Principle C

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

#### Sub Principles:

##### Defining outcomes

- The Council has a clear vision which is set out in the Corporate Plan *Delivering a Successful & Sustainable Swansea* which prioritises 6 Well-being Objectives.
- Delivery of the Corporate Plan is monitored through the Council's Performance Management Framework with quarterly and annual performance monitoring by CMT/Cabinet.
- There is an Annual Performance Review.
- Annual Service Plans address the sustainability of service delivery along with key corporate priorities.
- There is monthly Performance and Financial Monitoring meetings held for each Directorate.
- There is a Corporate Risk Management Policy ensuring consistent application of risk registers and terminology and audit scrutiny.

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

- The Council takes a long term and sustainable view and balances the economic, social and environmental impact of policies and plans by:
  - Medium Term Financial Planning covering 3 financial years approved annually by Council.
  - Refresh of the Corporate Plan annually
  - Annual service planning.
- The Council's new Achieving Better Together Recovery and Transformation programme, which replaces *Sustainable Swansea: Fit for the Future* seeks to allow the Council to recover from the COVID-19 pandemic and modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services.
- There is public and stakeholder engagement.
- Council has passed a motion on tackling the climate emergency and has set a target and means to achieve net zero carbon emissions by 2030, including expanding our fleet of green vehicles, increasing tree cover, installing solar panels and improving energy efficiency.

## Principle D

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

### Sub Principles:

#### Determining interventions

- The Council ensures that decision makers receive objective and rigorous analysis of options with intended outcomes and risks by:
  - written reports from Officers;
  - report clearance by legal, finance and Access to Services officers;
  - embedding of impact assessment in decision making process;
  - clear option appraisals reflected in reports detailing impact, risk and any best value considerations.
- The results of consultation exercises are fully considered by decision makers with consultation responses set out in report.
- Consultation on budget proposals is extensive and includes roadshows with staff.
- The Council has a Corporate Risk Management Policy.

#### Planning interventions

- The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:
  - A timetable for producing and reviewing plans on an annual basis.
  - Working with a consultation and engagement strategy.
  - Quarterly and annual performance monitoring including achievement of national and local performance indicators.
- There is robust Medium Term Financial Planning.
- There is an Annual budget setting process in place including an extensive consultation exercise.

#### Optimising achievement of intended outcomes

- The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities.
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel.
- Achieving Better Together (replacing Sustainable Swansea – Fit for the Future).
- The Council ensures the achievement of “social value” through the effective commissioning of service in compliance with CPR’s e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts).

## Principle E

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

### Sub Principles:

#### Developing the entity's capacity

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

### How we do this:

- The Council aims to ensure that Members and Officers have the right skills, knowledge and mind set to operate efficiently and effectively to achieve intended outcomes by:
  - adopting a comprehensive induction training programme for members and officers;
  - a Councillor Training Programme based on a Training Needs Assessment;
  - annual performance review of staff;
  - adoption of a mentoring scheme.
- Operational capacity is supported by the Transformation & Future Council objective to help tackle rising demand and reducing revenue budget.
- The Organisational Development Strategy aims to develop the right staff with the right skills to work in a sustainable way.
- There is engagement with benchmarking groups such as APSE, CIPFA.
- There is collaborative and partnership working including the Public Service Board, Regional Partnership Board, ERW.

- Effective shared leadership and understanding of roles and objectives is supported by:
  - The Leader and Chief Executive have clearly defined leadership roles.
  - The Chief Executive Appraisal and Remuneration Committee have responsibility for the appraisal of the Chief Executive.
  - There has been member led training with both senior officers and cabinet members.
  - There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Ex, CMT and Heads of Service.
  - The Transformation and Future Council objective and the Organisational Development Strategy.
- The Constitution sets out the Scheme of Delegation which is regularly reviewed.
- Annual appraisal and performance review.

## Principle F

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

#### Sub Principles:

##### Managing risk

- Risk management is an integral part of decision making supported by:
  - A Corporate Risk Management Policy with clear nominated officer responsibility.
  - New risk register application.
  - Monthly review of risks by CMT.
  - Monthly review of Directorate Risks at PFM meetings.
  - The publication of Corporate Risks allowing greater scrutiny.
  - The Audit Committee regular review of risks (see paras 8.34 & 9)

##### Managing performance

- There are quarterly performance monitoring reports to Cabinet.
- Each Head of Service produces an Annual Service Plan setting out clear objectives and SWOT analysis of their service.
- There are regular reports as to performance indicators and milestones against intended outcomes.
- There is robust scrutiny challenge by pre decision scrutiny, inquiries and Call-in.
- Monthly Directorate Performance and Financial Monitoring meetings.

##### Robust internal control

- CIA provides independent assurance on the adequacy of internal control through the IA plan approved by the Audit Committee.
- The Audit Committee provides independent and objective assurance on effectiveness of internal control, risk management and governance arrangements.
- The Council is dedicated to tackling fraud and corruption and has an Anti-Fraud and Corruption Policy and Whistleblowing Policy
- The Audit Committee receives an annual report on the fraud function and Anti-Fraud Plan.
- The Internal Audit Plan is approved by Audit Committee.

##### Managing data

- The Council demonstrates effective safeguarding of personal data and information by:
  - The appointment of a Data Protection Officer.
  - The adoption of a Data Protection Policy.
  - An Information Governance Unit and Senior Information Risk Officer.
  - An information asset register
  - The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI).
  - Data Protection training is mandatory.

##### Strong public financial management

- The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.
- Financial management is integrated at all levels of planning and control by:
  - financial implications are included in all decision making reports;
  - there is a specific Corporate risk around Financial Control and MTFP owned by the S151 officer.

## Principle G

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

### Sub Principles:

**Implementing good practice in transparency**

**Implementing good practices in reporting**

**Assurance and effective accountability**

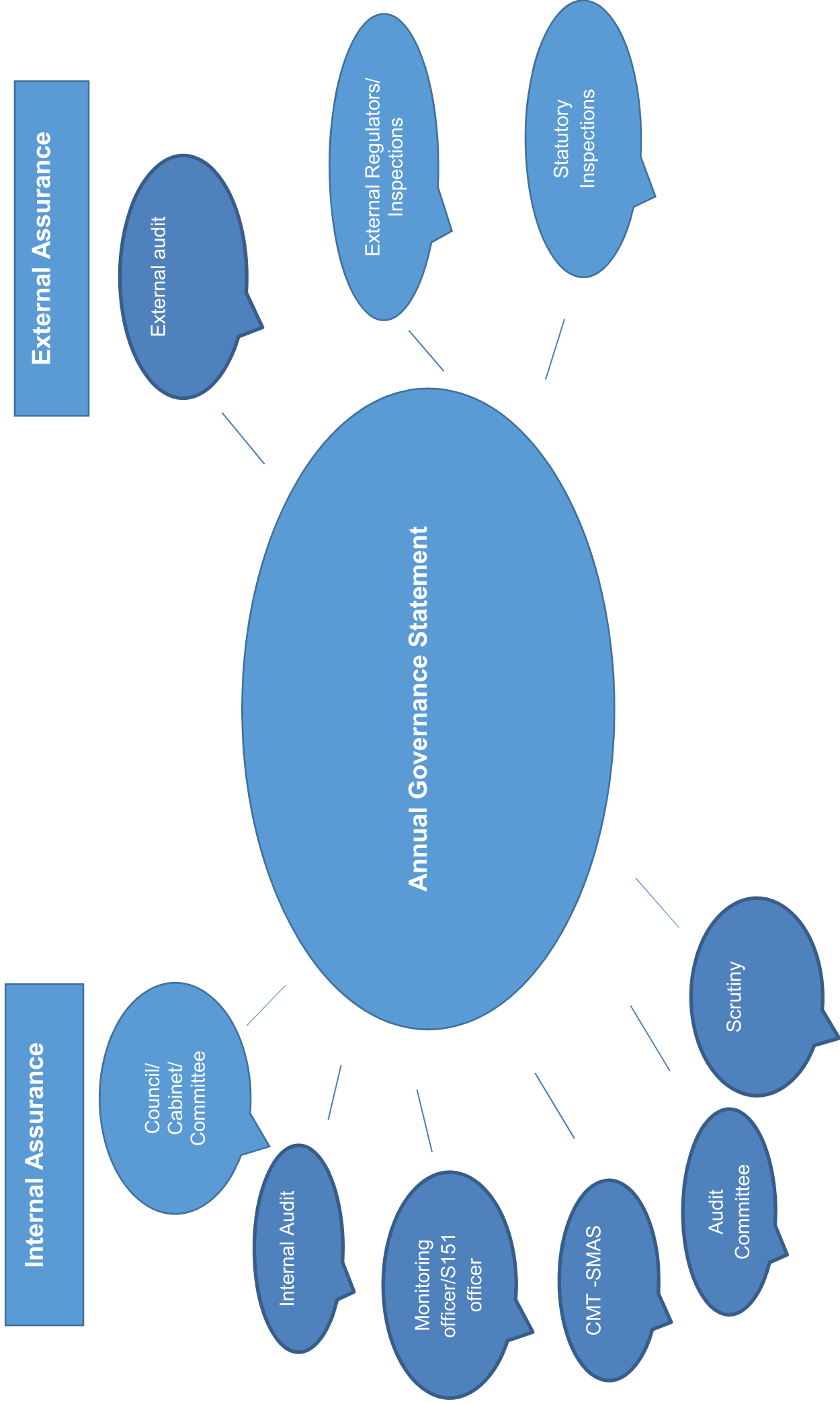
### How we do this

- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
  - A Report Authors Protocol which ensures consistency in reports.
  - A Clear Writing guide for Officers.
  - All reports are signed off by Cabinet Member, legal, finance and Access to Services officers.
  - The Council has a Publication Scheme which is available on the website.
  - Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.
  - Publication of delegated decisions.
  - Reports are published on the website and agendas are published in the Welsh Language.

- The Council reports at least annually on performance as evidenced by:
  - Quarterly and annual reports to Cabinet on performance.
  - An annual Review of Performance report setting out how the Council has performed in meeting its Corporate Objectives.
  - The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resources.
- Senior Managers complete Senior Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement.
- The Council have adopted the Code of Corporate Governance based on CIPFA framework.

- Through the assurance mechanisms set out below the Council can demonstrate effective accountability.
- The Internal Audit work plan provides assurance on the council's control mechanisms, risk management and governance arrangements which is monitored by the Audit Committee.
- All agreed actions from Internal Audit reviews are monitored.
- Reports and plans to implement Audit Wales and Internal Audit recommendations reported (as relevant) to Scrutiny and Audit Committee.
- Peer Review and inspection from regulatory bodies and external compliance reviews which are reported to CMT/Cabinet and used to improve service delivery.
- There is Scrutiny and audit review of Audit Wales reports and action plans.
- Assurance on risks associated with delivery of services through third parties is achieved by:
  - Commissioning and monitoring arrangements and compliance with Contract Procedure Rules.
  - SMAS reflect risk assessments in relation to partnership/third party working.

# Annual Governance Statement 2020/21



### 4. Review of Effectiveness

4.1 The City and County of Swansea annually reviews the effectiveness of its governance framework including the system of internal control.

- (a) Statements from Corporate Management Team (CMT), Statutory Officers, the Internal Audit Manager and the Audit Committee.
- (b) External organisations i.e. Audit Wales and regulators.
- (c) Core evidence mapped to Council, Cabinet and Committees.

4.2 The following highlights the review of the governance framework in order to compile the Annual Governance Statement and sets out the assurance of CMT, officers and external organisations.

### **INTERNAL SOURCES OF ASSURANCE**

### 5 Corporate Management Team/SMAS

5.1 The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 15 good governance statements covering:

- Risk Management
- Partnership/Collaboration governance
- Compliance with Policies/Rules/Legal & Regulatory requirements
- Programme and Project Assurance
- Budget Monitoring
- Planning and Decision Making
- Internal Control Environment
- Fraud & Financial Impropriety
- Performance Measurement & Management

5.2 The Directors assess assurance using a 5 point maturity scale for their areas of responsibility ranging from “Not in place” to “Embedded”. Directors are expected to consult with their Heads of Service to support a directorate approach to each statement.

5.3 The Four SMAS from the Directors of Corporate Resources, Social Services, Place and Education are challenged and reviewed at CMT. The Director of Social Services submitted two, one each for Adult Services and Child & Family.

5.4 The assurance statements summarised by 9 categories showed overall that there were no categories that were deemed as being “Not in place” or with “Limited Application”. A small number (9%) of categories were regarded as showing “Mixed Application”. These categories were: Performance Reviews (2); Data Security (1); Partnership Governance (1), Programme and Project Assurance (2) and Future Generations & Equality (1). These have been captured in the significant governance risks for 2021/22 where relevant.

However, 64% demonstrated “Strong Application” and 27% were described as “Embedded”.

- 5.5 The Council established an Annual Governance Group for the purpose of challenging the SMASs and assisting and overseeing the development of the Annual Governance Statement. The Group is led by the Deputy Chief Executive and members include the Council’s Section 151 Officer and Monitoring Officer, as well as the Strategic Delivery & Performance Manager and a member of the Audit Committee. The Chief Internal Auditor attends in an advisory capacity. The work of the Group in reviewing the SMASs and finalising the Annual Governance Statement and CMT in reviewing and approving the SMASs and Statement was disrupted by the COVID-19 situation; the Group met twice during 2020/21 and again in April 2021. CMT reviewed the SMAS and draft Annual Governance Statement on 26<sup>th</sup> March and 16<sup>th</sup> April 2021. The Significant Governance Issues for 2021/22 as identified by CMT are those set out below.

### **6. The Monitoring Officer**

- 6.1 The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).
- 6.2 In 2020/2021 the Monitoring Officer was notified of 17 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 16 of those complaints. 1 complaint is outstanding. Regular PSOW bulletins are circulated to all councillors as to Code of Conduct issues when issued.
- 6.3 During 2018 and 2019 the Standards Committee interviewed the Leader, Leaders of the Opposition, the Chairs of Planning, Democratic Services and Licensing Committees and the Chief Executive. All those interviewed indicated their support for the Code of Conduct and their commitment to maintaining the highest ethical standards amongst councillors.
- 6.4 An audit of officer gifts and hospitality was undertaken in 2018/19. Members and officers are required to register their personal interests, gifts and hospitality with regular reminders sent out by the Head of Democratic Services. The Declaration of Interest form for both members and officers has been updated and circulated with guidance so as to include declaration of related party interests.
- 6.5 An audit of the publication of delegated decisions by Cabinet members and senior officers was undertaken in 2019/20. This process is still being embedded with this being the first audit. The audit also considered decision making during the Covid crisis. A high assurance rating was given with some recommendations to improve the process going forward.



## Annual Governance Statement 2020/21

- 6.6 An audit of the Councillors Code of Conduct covering Members register of interests, declarations of interest and gifts and hospitality was undertaken in 2020/21 with a substantial assurance rating and two recommendations for improvement which have been implemented.
- 6.7 The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2020/21.
- 6.8 Work on the Council Constitution was not progressed mainly due to pressures of Covid but also as the Local Government and Elections (Wales) Bill was making its way through the Senedd it was anticipated that this would also require amendments to the Constitution.
- 6.9 The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 allowed members of committees, Cabinet and Council to make decisions remotely and largely to carry on with business as usual. A number of committees saw active public participation including Cabinet where members of the public participated in public question time.

### 7. The S151 Officer

- 7.1 Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2020/21. The reports consistently identified some service revenue budget overspends at year end, driven especially by Covid spending, albeit reducing throughout the year and by third quarter down to a miniscule margin of variation, so that service underspend was as likely as overspend based on available information. Towards the year-end the pace and scale of reimbursement of costs and lost tax and service income from Welsh Government became increasingly clear and as a result at several verbal updates on third quarter position to cabinet, Council, audit committee and scrutiny panels, the S151 Officer advised an overall significant outturn underspend was expected.
- 7.1.1 Total service underspending has now been confirmed (at just over £20m) and is an extremely good outcome. On even more positive note the equally fully planned substantial continued underspending on capital financing (£9m) and contingency, central inflation and other corporate items including additional Welsh Government Covid grants (also around £9m) has enabled sums to be added to the recovery reserve, the capital equalisation reserve, the general reserve and some to carried forward on contingency which is a prudent way of planning for and addressing some of, the future certain increased costs of financing the ambitious mid-term capital programme and the uncertainty of Covid-19.
- 7.2 A verbal **Mid Term Budget Statement 2020/21** was presented to Council in November this year given the substantially delayed settlement due to covid. The written report on the **Review of Reserves** was presented to Council on 4/11/20 which provided a strategic and focussed assessment of the current

year's financial performance and an update on strategic planning assumptions over the next 3 financial years.

- 7.2.1 The conclusion of the Statement was that the Council could potentially struggle to deliver within the overall resources identified to support the budget in 2021/22 and beyond unless the local government settlement was much enhanced and preferably multi-year (the quantum was duly confirmed much enhanced by March 2021 but disappointingly remains a one year settlement). The likely projected outturn was dependent upon the ability of the Council to reduce and restrict ongoing expenditure across all areas, its ability to recover expenditure and lost income from Welsh Government and continued reliance on active capital financing strategies to maximise the short term savings to enable the capital equalisation reserve to be bolstered for the medium to long term recognising the major future capital commitments already irrevocably made by Council decisions on the size of the capital programme and associated borrowing.
- 7.2.2 The Revenue and Capital Budgets were approved by Council on 04/03/21. They continued to set out an ongoing ambitious programme of approved capital spending plans and future capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing) which would require budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus. These plans are likely to still be affected by ongoing ripple effects of Covid-19. It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the Covid-19 pandemic during the first half of 2020-21.
- 7.2.3 The impact will be very financially material on the 2020-21 accounts but the national lock down arrangements and the prioritisation of the response to Covid-19 may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts. The impact will be very financially material for the 2020-21 accounts (many tens of millions of pounds, over one hundred million pounds when agency costs and income for business grants added) but its net impact is less clear after reimbursement of costs.
- 7.3 The **Medium Term Financial Plan 2022/23 – 2025/26** was approved by Council on 04/03/2021. The Plan outlined the range of options around funding faced by the Council over the period, the key reliance on the scale and value of future local government finance settlements and the strategy to be adopted to address the various scenarios as well as the inherent risks to the success of the adopted strategy.
- 7.3.1 All spending and funding assumptions were set before the New Year economic scale of the ongoing Covid-19 pandemic was fully apparent,

exacerbated by the late nature of the UK and Welsh government budget setting processes. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.

7.4 Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.

7.5 **Audit Wales Annual Audit Summary 2020** (and referred to below) noted that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position. This reflected external auditor concerns that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets. The Council is seeking to address this through a refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace in its new Achieving Better Together programme.

7.5.1 The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:

- Investment Strategy Statement.
- Internal Dispute Resolution Process.
- Funding Strategy Statement.
- Administration Strategy Statement.
- A full actuarial valuation to be carried out every third year.
- Communications Strategy Statement.

## 8. Chief Auditors Opinion

8.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

8.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.

8.3 The table below provides a summary of the assurance levels across the audits completed in 2020/21:

## Annual Governance Statement 2020/21

<b>2020/21 Audit Ratings Summary</b>		
Total Number of Audits Finalised	75	
<b>Assurance Rating</b>	<b>Number</b>	<b>%</b>
High Assurance	42	56
Substantial Assurance	29	39
Moderate Assurance	4	5
Limited Assurance	0	0

- 8.4 As can be seen in the table above, the outcome of 71 (95%) of the 75 audits completed was positive with the audits receiving either a high or substantial level of assurance.
- 8.5 As has been reported to the Audit Committee throughout the year, four audits received a moderate level of assurance in the year. As has been the case for the past two years, the fundamental Accounts Receivable audit was one of the audits that received a moderate assurance level in 2020/21.
- 8.6 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2020/21, 11 of the 14 fundamental audits have a high level of assurance. Two have a substantial level of assurance (Accounts Payable and Business Rates) and one has a moderate level of assurance (Accounts Receivable).
- 8.7 Prior to the most recent audit in 2019/20, the Business Rates audit had received consistent high assurance level and had therefore been subject to an audit every two years. However, as a result of the findings of the audit in 2019/20, a substantial level of assurance was awarded and as a result this audit is completed on an annual basis.
- The Audit Committee has been made aware of the fact that we were unable to complete the audit of Business Rates in 2020/21 due to the reasons set out in the Internal Audit Quarterly Monitoring Reports and also in the Internal Audit Annual Report. However, additional work has been undertaken in the year to provide assurance over the reactive work that has been undertaken by the Business Rates Team in facilitating the Council's response to the Covid-19 pandemic.
- 8.8 The Accounts Payable audit also received a substantial assurance level in 2020/21, as was also the case in 2019/20 and 2018/19. As a result, this also continues to be audited on an annual basis.
- 8.9 The Accounts Receivable audit received a moderate assurance level in both 2018/19 and 2019/20. The Audit Committee have had a number of updates from the relevant managers in relation to the work that is ongoing to address the issues that have been identified. The Audit Committee will continue to receive updates on this during 2021/22.

- 8.10 It is disappointing that the Accounts Receivable audit received a third moderate assurance rating in 2020/21. As detailed in updates provided to the Audit Committee from the client department, the reasons for the weaknesses identified in this area are primarily in relation to reduced resources. As noted in previous reports, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 8.11 Despite this, it should be noted that of the 14 fundamental system audits, 11 have a high assurance level and two have a substantial assurance level. In addition, the results of the work undertaken in 2020/21 shows that as at the 31 March 2021, 95% of all of the audits completed in year have either a high or substantial assurance level. This provides reasonable assurance that across the Authority the systems of internal control are operating effectively.
- 8.12 Due to the very challenging environment that the Internal Audit Team has endured throughout 2020/21, the number of audits on the plan that we have been able to complete in year has been lower than that of previous years. However, this does not detract from the positive outcomes of the work that has been completed as noted above. It is hoped that with pandemic restrictions continuing to be lifted at the time of compiling this report, the Team will be able to successfully complete a greater percentage of the 2021/22 audit plan in line with performance in previous years.
- 8.13 Throughout the year, a significant amount of effort has continued to be directed at further strengthening the systems of risk management across the Authority. The Audit Committee has recently been in receipt of update reports from the Strategic Delivery and Performance Manager outlining the status of key risks from the new Risk Management System to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date. The new Risk Management System has also been further embedded in the year which has improved the monitoring and control of risks.
- 8.14 As per the Terms of Reference, the Audit Committee must be satisfied that they have sufficient information in order to gain assurance over the risk management controls across the Council. Prior to the introduction of the new Risk Management System, the Committee highlighted concerns over the amount of information that was available to Members to allow them to discharge this responsibility. These concerns were also echoed by the Council's External Auditors. The introduction of the new Risk Management System has facilitated greater scrutiny of the risk management arrangements in place by the Audit Committee, and the presentation of detailed reports from the new system has recently recommenced. However, a number of concerns have been raised by both the Chief Auditor and the Audit Committee in relation to the documentation of the mitigating controls for key risks in some service areas.

- 8.15 As part of the migration from the old Risk Registers to the new Risk Management System, Risk Owners were asked to review and update the risks and associated mitigating controls under their management. Following a review of the mitigating controls, it was noted that in some instances the control measures documented on the new system could not be categorised as ‘control measures’ in effect. As a result, it is not possible to place reliance on the documented mitigating controls for some of the corporate risks on the Risk Management System. This is not to say that mitigating controls are not in place, but the way they have been documented on the system means we are unable to place reliance on some of the controls as they are currently recorded. As a result, this area can be considered as requiring attention and improvement in the coming year. This is due to be addressed via training for Risk Owners.
- 8.16 The Covid-19 Pandemic has had a significant impact on the Council and most business as usual operations. The meetings of the Governance Group, tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective, were suspended during the year but meetings have recently resumed in the lead up to the year end and in preparation for the production of the Annual Governance Statement.
- 8.17 In response to the unexpected and unpredictable impact of the pandemic, a number of emergency protocols were introduced to ensure governance and overall corporate grip remained strong and effective during such unprecedented times. This included the formation of an Executive Control Group (ECG) in early March 2020.
- 8.18 The ECG was set up due to the unprecedented effects of the Covid-19 pandemic on the management of the Council’s affairs. Whilst the ECG met daily in the morning a “Sit Rep” meeting also took place each afternoon to review the daily changes in the crisis. Decisions taken at ECG were looked at as part of internal audit’s review of delegated decisions.
- 8.19 Cabinet meetings were cancelled between 19 March 2020 and the 27 April 2020 and Council meetings were also cancelled. The ECG and Sit Rep groups addressed strategic, collaborative, operational and financial issues which had to be dealt with as a matter of urgency.
- 8.20 Those attending the ECG included the Leader, Deputy Leaders, Chief Executive, S151 Officer, Monitoring Officer, Director of Place, Head of Communications & Marketing, Corporate Health Safety & Wellbeing Manager and Temporary CCoS/NPT/SBUHB Liaison Officer (JS). We were advised that attendance at meetings varied due to the fluid situation facing the Council and due to daily meetings taking place, including on weekends. The Sit Rep group was a wider group of members and senior officers.
- 8.21 Strategic operational and financial decisions were taken by the ECG and Sit Rep meetings, as required, without the usual Cabinet and Council approval. While formal “minutes” of meetings were not taken, a Corporate Management Team PA attended each meeting and recorded discussions and maintained a

log of actions/decisions agreed. Given the unpredictability and unprecedented nature of the pandemic, we are assured that appropriate controls were in place in relation to the decision making process during this period.

- 8.22 We were further advised by the Chief Finance and Section 151 Officer that where required, FPR7 Reports (for capital expenditure) or Delegated Powers Reports (for revenue expenditure) were subsequently presented to Cabinet and Council when meetings resumed early in June 2020.
- 8.23 The ECG ceased to be a decision-making forum when Cabinet and Council meetings resumed, but it continues to exist as a forum for information and communication.
- 8.24 It was noted that significant decisions made by the ECG in 2020 have been published on the Council's website. It was also found that Democratic Services had been informed of other decisions but a decision was taken not to publish these because they contained commercially sensitive/sensitive information warranting an exemption from publication.
- 8.25 The work undertaken by the Internal Audit Team in the year did not uncover any significant concerns in relation to governance and overall management control across the areas of the council that were subject to internal audit review. Despite a significant period of upheaval and change, Officers have adapted speedily and effectively to the emergency response to the pandemic with no obvious signs of deterioration in control or corporate grip across the areas subject to audit in the period.
- 8.26 In conclusion, Statutory Governance Chief Officers have succeeded in maintaining appropriate corporate grip and have ensured adequate recording and reporting mechanisms have been maintained throughout the crisis.
- 8.27 At the time of writing this opinion, it is unclear as to the scale of additional spending, loss of income or funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the Covid-19 pandemic going into 2021/22. The Section 151 Officer has advised that his view is that there is adequate assurance of sufficient and necessary recovery and reimbursement in relation to 2020/21 already in place, pending the formal final outturn and statement of accounts certification. However, it should be noted that the sums available to bid against nationally for 2021/22 are materially lower and no sums are currently flagged as available in 2022/23 by UK or Welsh Governments. In March 2021, the Leader of the Council set out the Council's intention to establish a locally funded Covid-19 Recovery Fund with the target sum of £20m. This in part may mitigate the risk of reduced Government funding in future years, but again this is pending formal certification of the final outturn and statement of accounts by the Section 151 Officer and Council.
- 8.28 In previous years, the Audit Committee and the Council's External Auditors have raised a number of concerns in relation to risk management arrangements

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and also with regard to the lack of pace with which Directorates have been able to deliver agreed savings targets. These concerns have been echoed by Internal Audit and the Chief Finance and Section 151 Officer. It is hoped that the Achieving Better Together audits encompassing both the Council's recovery and later transformation will address these issues in 2021/22. The programme of planned audits for 2021/22 will also seek to provide the Committee with some clarity and assurance on these issues.

- 8.29 Given the audit plan completion rates noted previously, and the fact that we have completed all of the fundamental audits (with the exception Business Rates) by year end, I do not feel any impairment to the Chief Auditor's opinion on internal control is required. Assurance can be provided across a range of Council services as a result of the audits that have been successfully completed, especially when considered alongside the wider thematic audits and other assurance work completed in year. We hope to be able to provide assurance in those areas that have seen the audits deferred this year by the completion of the deferred reviews in 2021/22.
- 8.30 In addition, for the reasons set out previously, I believe that governance arrangements across the Council have proven to be robust and resilient throughout the significant period of challenge and change that the Council has faced over the past year. The Council has adapted speedily and effectively to the challenges brought about as a result of the pandemic, with core services continuing to operate effectively throughout.
- 8.31 In connection with the points raised above, and as previously reported, CIPFA have issued guidance to Internal Auditors, Leadership Teams and Audit Committees of Local Government Bodies recognising the difficulties faced by audit teams to deliver their planned programme of audit work due to the impact of the pandemic. The guidance reiterates the requirement that the Chief Auditor must consider the level of assurance that can be provided across all three aspects of the Chief Internal Auditor's Opinion, which includes governance and risk in addition to internal control.
- 8.32 A summary of the various scenarios that internal audit providers may consider when determining whether any limitation of scope is required for the Chief Auditors Opinion may be seen below, as per the CIPFA guidance note:

Type of limitation	Suggested wording
The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control,	The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is a requirement of PSIAS. The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers is presented in the



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<p>and is therefore unable to issue an opinion.</p>	<p>annual report but this does not result in a comprehensive opinion.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>
<p>The HIA has obtained insufficient assurance across one of the three aspects of the opinion: governance, risk management and internal control. The limitation of scope will be restricted to that aspect only.</p>	<p>The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of [specify one of governance, or risk management or control].</p> <p>The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers in respect of [governance or risk management or control] is presented in the annual report but this does not result in an opinion on this aspect. [The HIA can then present their opinion on the remaining two aspects required.]</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>
<p>The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material.</p>	<p>The HIA opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is [set out opinion].</p> <p>The HIA opinion however must exclude [specify area excluded] as there is insufficient assurance available for the HIA to offer reasonable assurance.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>

8.33 Given the previous points made in relation to internal control, governance and risk management I don't feel that there is a need to issue any limitation of scope on the aspects of governance and internal control. However, given the issues identified in the documentation of the control measures for some of the Corporate Risks recorded on the new Risk Management System, I feel that a

limitation of scope in relation to the framework of risk management across the Authority is required. The internal audit work undertaken in 2020/21 provides assurance over the risk management processes within the Resources Directorate and also provided assurance over the controls within the new Risk Management System. However, other work undertaken in year has highlighted a number of issues in relation to the way in which some of the mitigating controls have been documented. Given the issues that have been noted, the work undertaken in year is not sufficient to determine whether the risk management framework is adequately embedded across the Council as a whole. Therefore, it is felt that improvements must be made to further embed and strengthen the adequacy and effectiveness of the Council's framework of risk management in 2021/22.

8.34

### Chief Auditors Opinion for 2020/21

***Based on the programme of audit work undertaken in 2020/21, the Chief Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control is effective with opportunity for improvement. No significant weaknesses were identified in 2020/21 which would have a material impact on the Council's financial affairs or the achievement of its objectives.***

***The Chief Auditor's opinion however must exclude the assessment of how effectively the framework of risk management is embedded across the Council as a whole as there is insufficient assurance available for the Chief Auditor to offer reasonable assurance.***

***To avoid similar limitations in the future the Chief Auditor has highlighted the issues in relation to the documentation of the control measures for the risks recorded on the Risk Management System. These issues will be addressed by the Deputy Chief Executive and Strategic Delivery and Performance Manager to strengthen the adequacy and effectiveness of the Council's framework of risk management in 2021/22.***

## 9. The Audit Committee

- 9.1 First and foremost the Chair pays tribute to all staff and officers of the Council in dealing admirably with the unprecedented challenges brought about by the Covid pandemic. Throughout this difficult year officers of the Council as well as the Council Partners' were fully committed to meeting their responsibilities. The Chair also acknowledges that the Council endeavoured to maintain continuity of governance.
- 9.2 This report provides an overview of the Audit Committee's work in the municipal year 2020/21. On 20th October 2020 the Audit Committee considered the election of Chair for 2020/21 Municipal Year where it was

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resolved that Paula O'Connor be elected Chair. At the same meeting Councillor P R Hood-Williams was elected Vice-Chair for the 2020/21 Municipal Year. In addition, in June 2020 the Committee approved the proposal to appoint an additional Lay Member to support the changes that were to be introduced with the Local Government and Elections (Wales) Act 2021.

- 9.3 This report prepared by the Chief Auditor and Democratic Services reflects on the work of the Audit Committee.
- 9.4 The Committee's terms of reference forms part of each Agenda as an aide to ensure that Members are sighted of the Committee's effectiveness in satisfying it's role. The Chair has continually reviewed Committee Agendas in consultation with Democratic Services to ensure they meet the requirements of the Terms of Reference.
- 9.5 It is pleasing to report that the Committee has received in June 2020 an oversight of the Council's Performance Management Framework and also an overview of the Partnerships and Collaboration arrangements. The Committee has requested periodic reports for both of these significant areas to be brought to future meetings. Also in March 2021 the Committee received an update from the Deputy Chief Executive on Value for Money & Benchmarking. The presentation of the three reports addressed the shortfall in previous meetings of the Committee and the Chair extends her gratitude to officers for meeting the Committees needs.
- 9.6 The Chair also highlights that the Committee has previously reported on the shortfall in assurances being received around the Council's Risk Management arrangements, and although some progress has been made the shortfall remains.
- 9.7 The Chair reflects on the presentation on the Assurance Framework and the reporting on the Council's Risks which was a significant step forward in 2018/19 in improving the Committee's ability to reflect on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement. However, as reported in 2019/20 and well into 2020/21 the development and roll out of a new electronic risk management system was delayed during the year and the Chair and Audit Committee members have expressed concern that in the absence of a robust system that this will need to be highlighted in the Council's Annual Governance Statement at the year end. During 2020/21 the ongoing delay was mainly attributable to the pressures associated with the pandemic. In November 2020 the Committee received a mid-year position of Risk and then in February 2021 an updated position in an improved format. The Chair noted that the detail contained in the improved format Risk Register still required improvement before the Committee were able to take assurance.

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- 9.8 The Committee has reviewed the work programme at each meeting, taking account of risk and priorities and in particular pandemic issues and Internal Audit Moderate Assurance reports issued.
- 9.9 The Committee received the 2020-21 Internal Audit Plan and Charter on 1st June 2020 and has received reports regularly during the year from the Chief Internal Auditor. The Chair has expressed her gratitude to the Chief Auditor in progressing with the plan alongside the pressures of the pandemic and also for responding to a request to enhance the detail in the reports to provide further understanding of the work undertaken and the risks identified. During 2020-21 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified. During the year the Chief Internal Auditor updated the Audit Committee of those audit assignments that had to be deferred as a result of the pandemic impacts. The Audit Committee discussed the impact and the possibility that a limitations opinion would be called. The Chair, s151 Officer and the Chief Internal Auditor discussed the opinion which reflects the limitations around the risk management arrangements but not the deferred audits. The final Chief Internal Auditor opinion is due to be presented to the Audit Committee in May 2021.
- 9.10 In March 2021 the Chief Internal Auditor presented the Draft Internal Audit Plan for 2021-22 and methodology applied. The Chair commented that the Committee were able to support approval of the Plan to Council with the caveat that assurances had been obtained from the Chief Internal Auditor that the Plan was risk based and complied with the Public Sector Internal Audit Standards. The Committee would seek to gain further understanding of the scope of the reviews during 2021-22.
- 9.11 The Audit Committee terms of reference states that the Committee “oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.”
- 9.12 The Committee received the 2020/21 Internal Audit Plan and Charter on 1st June 2020 and has received reports regularly during the year from the Chief Internal Auditor. The Chair has expressed her gratitude to the Chief Auditor in responding to a request to enhance the detail in the reports to provide further understanding of the work undertaken and the risks identified. During 2020/21 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified.
- 9.13 In March 2021 the Chief Internal Auditor presented the Draft Internal Audit Plan for 2021/22 and methodology applied. The Chair commented that the Committee were able to support approval of the Plan to Council with the caveat that assurances had been obtained from the Chief Internal Auditor that the Plan was risk based and complied with the Public Sector Internal Audit

Standards. The Committee would seek to gain further understanding of the scope of the reviews during 2021/22.

- 9.14 The Audit Wales presented their 2020 Audit Plan to the Audit Committee on 30th June 2020, and has provided the Committee with regular updates to their work. In 2017/18 and continuing to date the Chair suggested that consideration be given to developing a tracker to give focus to improved completion of external audit recommendations. This work is yet to be completed but the Chair acknowledges that Scrutiny Committee has the opportunity to challenge non implementation of recommendations as well as the Audit Committee.
- 9.15 The Chair has met during the period with the Deputy Chief Executive, S151 Officer, Monitoring Officer, Chief Internal Auditor and Audit Wales. A meeting is being arranged with the Chief Executive to communicate Audit Committee concerns in a number of key risk areas that include, robustness of Directorates saving plans, workforce pressures, risk management arrangements and reporting of risk to Audit Committee, production of annual governance statement and the role of the Governance Group.
- 9.16 The Committee received the 19/20 Anti-Fraud Annual Report at the meeting in September 2020 and the update against progress being made against recommendations in the Audit Wales report Raising our Game - Tackling Fraud in Wales in March 2021. The Committee noted that further work was required to address all those recommendations.
- 9.17 The Deputy Chief Executive presented the Annual Governance Statement 2019/20 Action Plan Update to the Committee in December 2020. Cllr Lesley Walton is the Audit Committee Representative on the Governance Group. The Governance Group was established to review the production of the AGS during the year. At the March 2021 meeting of the Governance Group a number of key points were raised with regard to the 2020/21 AGS but Cllr Walton has advised the Chair that the timeline target for the draft AGS to be presented to the May Audit Committee will be met. In preparation for receipt of this important document the Chair requested that Democratic Services circulate to Members the CIPFA guidance paper on Application of the Good Governance Framework 2020/21.
- 9.18 The Chair attended the Scrutiny Panel Conference 13th October 2020 and is also due to attend the Scrutiny Committee shortly.
- 9.19 The Committee discussed the concern regarding the cost of the capital programme, the level of reserves, the risk to the Authority and the need to scrutinise the risk. Also, it was noted that a recovery plan should be developed on how the Council plans to deal with overspends and that the Audit Committee should be provided with regular budget variation reports. The Chief Finance and Section 151 Officer agreed to provide this information to future meetings. The update against Achieving Better Together and from Recovery to Transformation was received in February 2021.

- 9.20 Looking forward to 2021/22, the unprecedented challenges that are continuing with the Covid-19 pandemic will continue to have an impact on the Council's governance and finance arrangements during the early to mid-part of the year.
- 9.21 Within this context, the importance of an effective Audit Committee remains critical and in March 2021 the Chief Legal Officer presented amendments to the Committee's Terms of Reference to take into account the requirements of the Local Government & Elections (Wales) Act 2021. In recognition of the additional responsibilities of the newly named Governance & Audit Committee the Chair met with the Chief Executive and the Chief Finance and 151 Officer who has agreed to develop, with support from external sources, a formal training programme that would develop the knowledge and skills of members in respect of the Act's new requirements.
- 9.22 The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the requirements of the Governance & Audit Committees new responsibilities and also the critical challenges and risks that the Council faces. The Committee will also keep under review the progress and reporting of risk management.

### **EXTERNAL SOURCES OF ASSURANCE**

#### **10. External Auditors**

- 10.1 Audit Wales' work in 2019/20 included a Well-being of Future Generations Examination on the 'Transfer of leisure facilities to the Council's new delivery partner'. The examination considered the extent to which the Council has acted in accordance with the sustainable development principle when effecting the successful transfer of leisure facilities to the Council's delivery partner. Audit Wales concluded that the Council has taken appropriate steps to ensure the current service is sustainable but had yet to develop its strategy and intended outcomes for the future provision of leisure services in Swansea. Audit Wales were satisfied the Council had met its legal duties for improvement planning and reporting and is likely to meet the requirements of the Local Government Measure (2009) concerning continuous improvement.
- 10.2 Audit Wales' Annual Audit Summary 2020 noted that the Council had put in place proper arrangements to secure value for money from the resources it uses. Audit Wales also in 2019/20 examined the financial sustainability of each Council in Wales. In City & County of Swansea Audit Wales concluded that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets. The Council is seeking to address this through a refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace.

10.3 Audit Wales on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2019/20** to Audit Committee on 8/9/20 and to Council on 10/09/20. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The Auditor General issued an unqualified audit report on the financial statements and the report concluded that the financial statements for the City & County of Swansea and the City and County of Swansea Pension Fund, (which was presented separately to the Pension Fund Committee on the 12/11/20), gave a true and fair view of the financial position of the Council and had been properly prepared.

### 11. Statutory external inspections/regulators

11.1 The Council is subject to Statutory External Inspections by various bodies including ESTYN and Care Inspectorate Wales (CIW).

11.2 During 2019/20 CIW published its 'Local authority performance review letter 2019/20: Swansea City and County Council. The letter summarises CIW's review of Swansea Council's performance in carrying out its statutory social services functions from April 2019 – March 2020. CIW acknowledge, that due to the unprecedented circumstances relating to Covid-19, they were unable to complete the annual performance review meeting. The content of the letter was informed by the performance evaluation activity undertaken by the inspectorate during the course of the year and summarises strengths and areas for improvement in line with the principles of the Social Services & Well-being Act 2014. Some key points include:

- There has been a positive realignment of services, aimed at ensuring improved outcomes for people.
- The remodelling of in-house domiciliary care services, and the re-commissioning of external providers has resulted in some improvements.
- There continue to be challenges in recruiting and retaining staff, and that services can struggle to provide care in some harder to reach local areas.
- The local authority works hard within the framework of its Looked After Children Reduction Strategy to analyse and understand fluctuating numbers of children who are looked after.
- Swansea Council has recently been successful in increasing both the proportion of children placed closer to home, and also those placed with in-house foster carers.
- CIW's focused activity in relation to safeguarding in adult services confirmed that safeguarding referrals are processed in a timely manner, that partnership work is effective and that action is taken to safeguard adults at risk.
- The Council is considering ways to improve the adult safeguarding process and is working on an audit framework.
- Overall numbers of children on the child protection register continue to be relatively stable trend, although re-registration rates remain a concern

and the local authority continues to work hard to understand the reasons behind this. Child protection case conferences and reviews continue to take place within statutory timescales.

- Elected members are fully aware of the challenges facing social services, and continue to be actively involved in finding solutions and monitoring developments.
- The authority has a dedicated and professional workforce, with management oversight ensuring a consistency of quality and approach in many areas.
- There is a recognised need to develop and implement a clear strategic vision in relation to carers.
- The local authority recognises that the levels of direct payments have been static for some time with an improvement plan aimed at improving outcomes for people in the area.
- The local authority is planning for the implementation of the Welsh Community Care Information System (WCCIS). This will provide further opportunities to consider how WCCIS can assist with the collation of relevant data to support practice and quality assurance.
- It was clear from our activity with independent reviewing officers (IRO's) that they were aware of the importance of putting the child at the centre of the review process.
- Swansea Council is supporting more people in their own homes, with fewer people being cared for in care homes, suggesting that the direction of travel in remodelling elements of the adult services structure is beginning to pay dividends.
- There continue to be high levels of activity at the front door of children and family services, although the percentage of work passed through for formal assessment continues to move in the right direction.

11.3 In January 2021, Estyn wrote to the Council's Chief Executive outlining the outcome of their review of City & County of Swansea Council's work in supporting their learning communities in schools and pupil referral units (PRUs) during the period from March to October 2020, and published a report on 'Local authority and regional consortia support for schools and PRUs in response to Covid-19'.

11.3.1 The report covers the ways councils across Wales have adapted their work to respond to the challenges from Covid-19. Although the report is a national report, it does reference City & County of Swansea Council's work during the pandemic. For example, the report includes reference to the Council's work to support schools to adjust and improve their distance learning offer, and to develop their approach to assessing pupils' work. The report also highlights the timely guidance for schools produced by the Council to support learners' mental health and wellbeing, and the work done in Swansea to prioritise support for pupils identified at risk of becoming NEET in the summer 2020.

### **CORE EVIDENCE**

#### **12. Council & Cabinet**



- 12.1 The following provide assurance based on reports covering 2020/21. In some instances reports from 2019/20 are reflected in the Annual Governance Statement as the reports for 2020/21 are not yet available.
- 12.2 Council adopted a revised Corporate Plan 2019/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The Corporate Plan for 2019/22 was refreshed and approved at Cabinet on 19<sup>th</sup> March 2019 and was refreshed again and approved by Cabinet on 19<sup>th</sup> March 2020. The five year Corporate Plan was rolled forward into 2021/22. Essential and necessary updates were made, although a fuller review and refresh of the plan was not possible because of the disruption caused by the pandemic. The Corporate Plan sets out the Council's values and principles underpinning the delivery of the objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports.
- 12.3 Performance on delivery of the Council's Well-being Objectives is monitored quarterly by Cabinet. The reports contain outturn compliance with performance indicators and an overview of performance for each Objective provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2019/20 was presented to Cabinet on 17<sup>th</sup> September 2020. The report showed that 43 out of 78 (55%) indicators that had targets set met them and 41 out of 66 (62%) comparable indicators showed improvement or stayed the same compared to the previous year. Quarterly Reports during 2020/21 were suspended for much of 2020/21 as a result of the disruption from the pandemic. Performance monitoring and reporting was briefly recovered in June for Q1 reporting before being suspended again as a result of the impact from the second Covid wave; the Q1 report was reported to Cabinet in December. It is anticipated that reporting will resume in 2021/22 although continued disruption from Covid-19 is likely to mean that performance targets will not be set and any comparisons to previous performance will be limited and will need to be contextualized.
- 12.4 The Annual Review of Performance 2019/20 was approved by Cabinet on 15<sup>th</sup> October 2020 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 6 Objectives set out in the Corporate Plan 2018/22. The results showed that overall the Council has made significant progress undertaking the steps to meet its Well-being Objectives but that there were areas for development and lessons learnt.
- 12.5 The Corporate Complaints Policy is in line with the Welsh Government Model Complaints Policy and was in place throughout 2020/21. It enables the public to tell the Council what they think about services. The Corporate Complaints Annual Report 2019/20 is being presented to Scrutiny in April and then to Cabinet. Presentation of the report has been delayed due to the pandemic. However, the 2020/21 report will follow soon after with the intention of reporting closer to year-end in future years. The report reflects the continued emphasis on prompt resolution of complaints and includes compliments about

services. Whilst the total of complaints to the Public Service Ombudsman for Wales increased from 83 to 92 none were upheld, 4 were resolved by quick fix/voluntary settlement, and the remaining referrals were either out of jurisdiction, premature or closed after initial consideration. There was an assurance that there were no s 16 Public Interest reports during the year.

- 12.6 The Audit Committee Annual Report 2019/20 was presented to Council on 10<sup>th</sup> September 2020 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2019/20. In particular, the report highlighted the work that had been undertaken throughout the year in line with the Committee's terms of reference. The report also provided an update on the implementation of the actions arising from the Performance Review facilitated by the Audit Wales.
- 12.7 The Equality Review Report 2019/20 was reported to Cabinet on 17<sup>th</sup> September 2020, which highlighted progress against the Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.
- 12.8 The Welsh Language Annual Report 2019/20 reflected progress and compliance on the 169 Welsh Language Standards with which the Council has to comply. The report contained an overview of activity and how the Council internally promotes the Welsh Language Standards with tools and information. The report concluded that good progress continued to be made on implementing the Welsh language standards during 2019/20 and general feedback indicated that officers were more educated and much more aware of the need for compliance than they were previously. Work is continuing on training the workforce and take-up on courses is growing. Welsh speaking spaces have been specifically created in the agile working areas during the year.
- 12.9 There were a number of key reports presented to Cabinet/Council during 2020/21 including reports relating to the Swansea Bay City Deal, school capital works and a number of Cabinet reports in response to the Covid-19 pandemic. In October 2020 Cabinet approved the new Swansea - *Achieving Better Together* Transformation Strategy and Programme Framework. The strategic aims of Swansea – Achieving Better Together will now focus on:
- The core purpose of the Council.
  - Transforming services to be effective and efficient.
  - Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation.
  - Balancing the budget for current and future years.
  - Greater and more meaningful engagements with our residents and community.
  - To meet aspirations and targets within the Medium Term Financial Plan.

12.11 The strategic governance of the Achieving Better Together is undertaken by the Recovery, Reshaping & Budget Strategy Board and the operational and Delivery of the workstreams is overseen by the Organisational Cross Cutting & Transformation Steering Group. Reports will be considered by Cabinet, Scrutiny and Audit Committees throughout the implementation and development of the programme.

### 13. Committees

13.1 The Council's scrutiny function is carried out by a **Scrutiny Programme Committee**, which delivers an agreed programme of work through Committee meetings and through Scrutiny Panels and Working Groups established by the Committee. Through this range of activities, scrutiny councillors make sure the work of the Council is accountable and transparent, effective and efficient, and help the Council to achieve its objectives and drive improvement, by questioning and providing challenge to decision-makers.

13.1.2 The Committee is a group of 13 cross-party councillors who organise and manage what Scrutiny will look at each year, and develop a single work programme showing the various activities that will be carried out. The Covid-19 pandemic has caused some disruption to the work of scrutiny over the last year. Scrutiny activity has had to be flexible and responsive to organisational pressures as the Council focused its efforts on tackling the pandemic and dealing with the impact locally. However the Scrutiny Programme Committee meeting on 24 April 2020 was the first remote meeting of the Council, under new Welsh Government coronavirus regulations and has continued to meet remotely over the year.

13.2 The **Scrutiny Annual Report 2019/20** was presented to Council on 2<sup>nd</sup> March 2021. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. It shows that the Scrutiny Programme Committee met on 18 occasions. In total, there were 54 Panel and Working Group meetings during that municipal year, with an in-depth inquiry into Equalities completed. Two Inquiry Panels reconvened to follow up actions agreed by Cabinet – Regional Working and Natural Environment. There was also pre-decision scrutiny undertaken on a number of Cabinet reports. The report also shows a high level of councillor commitment to scrutiny. The report shows action taken to improve the scrutiny process and its effectiveness, and further efforts to support councillors, take practice forward and improve the quality of scrutiny.

13.3 There is a strong relationship with audit, inspectors and regulators. There are well-established links between the scrutiny function and Estyn, in respect of Education Services and School Improvement, and similarly with CIW (Care Inspectorate Wales), in respect of Audit Services and Child & Family Services. Respective Scrutiny Performance Panels are routinely provided with relevant reports from Estyn and CIW, and are discussed as required. All Audit Wales local performance audit reports and relevant national reports (those with implications for local government) are also included in the Scrutiny

Work Programme (dealt with by the Committee or relevant Performance Panels) and there is co-ordination with the Audit Committee. Scrutiny considers the Council's response / action plans following audit reports and follows up progress as necessary. Regional scrutiny has continued with ERW and Swansea Bay City Region City Deal. The Swansea Scrutiny Team is providing support for the ERW joint scrutiny arrangement.

- 13.4 Our arrangements for scrutiny were subject to an internal audit review, completed in March 2021. As a result, an Assurance Level of 'High' was given, with no recommendations being made.
- 13.5 The **Standards Committee** met on 4 occasions during 2020/21 and the **Standards Committee Annual Report 2019/20** was presented to Council on 28<sup>th</sup> January 2020. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee finalised its discussions with the Political Group Leaders/Chairs as to ethical values within the council and in their Annual Report the Committee indicated that they felt that these discussion reinforced the Group Leaders/Chairs role in ensuring good behaviour and compliance with the Code by all councillors. The Chair of the Standards Committee advised Council that the Standards Committee felt that the Council was in a good position to respond to the requirements of the Local Government and Elections (Wales) Act 2021. The Standards Committee were also instrumental in ensuring the Ombudsman's Code of Conduct Casebook was considered and circulated to all members by the Monitoring Officer. The Members Internal Dispute Resolution Process has not yet been utilised, which underpins the strong commitment to, and provides assurance, that the Council's Code of Conduct is adhered to.
- 13.6 The **Audit Committee** met on 11 occasions during 2020/21 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member who is also the Chair of the Committee. The Committee receive all Audit Wales reports once reported to Scrutiny Programme Committee. The Committee may decide to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed.
- 13.7 During 2015/16, The Local Pension Board was established, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council (and Pension Fund Committee) as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board

successfully convened meetings under Covid regulations, virtually on 3 occasions during 2020/21, with the cancelled meetings' agendas ( in the early stages of the pandemic lockdown) being rolled forward and considered at the next convened meeting in May 2020.

- 13.8 The **Pension Fund Committee** establishes and keeps under review policies to be applied by the Council in exercising its obligations duties and discretions as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations. The Committee is Chaired by a Councillor and membership consists of six elected Members, including the Chair, and two lay members. The Committee met on 4 occasions during 2020/21, virtually, under Covid Regulations and dealt with all issues relating to the investment matters, governance and administration of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee (JGC) of the Wales Pension Partnership, a collaborative working arrangement between the 8 local government pension funds in Wales. The Chair also represents the WLGA (Welsh Local Government Association) on the Scheme Advisory Board ( SAB) advising the HM Government ( Ministry of Housing, Local Government, MHCLG) on matters relating to the LGPS.
- 13.9 The **Democratic Services Committee** reviews the adequacy of provision by the authority of staff, accommodation and other resources to discharge Democratic Services functions. The Committee is Chaired by a Councillor and, along with the Chair, membership consists of thirteen elected Members. The Committee met on one occasion during 2020/21 and considered the IRPW Annual Report.
- 13.10 The **Policy Development Committees (PDCs)** seek to drive the development of policy for consideration and adoption by Cabinet and or Council as appropriate. Due to Covid-19, some of the Council meetings, including PDC meetings, were cancelled or re-arranged. The Committees are chaired by a Councillor and, along with the Chair, membership consists of ten elected Members. There were five Committees meeting in 2020/21: Economy, Environment & Infrastructure; Education & Skills; Recovery & Future Generations; People, and; Poverty Reduction. During 2020/21, the Committees contribution to the ongoing development of policy included, among others: Climate Change post Covid-19 Recovery, Local and Regional Economy & Recovery response, Continuity of learning in schools during Covid-19, Covid-19 Recovery Plan, Young Carers - Ensuring wellbeing of young carers in the context of Covid19 and Green fairness.

### **Significant Governance Issues**

The following table identifies issues that had been identified in 2019/20 during the review of effectiveness, together with the proposed actions to be taken during 2020/21 to address the issues. **When the AGS was written the COVID-19 crisis had occurred but the severity, longevity and impact of the pandemic was not foreseen at the time. The pandemic has had a major impact on the timescales and actions that were included in the original action plan and this is recorded in the table on the next page.**

<b>Significant Governance Issue linked to Framework</b>	<b>Action to be taken</b>	<b>Update</b>
<p>Budget pressures (including external and demand-led pressures and overspends) &amp; problems living within budgets.</p>	<ul style="list-style-type: none"> <li>• Continue robust monitoring of budgets, savings and transformation programme activity at PFM and with both CMT and the Executive.</li> <li>• Annual review of Sustainable Swansea underway with revised programme to deliver future savings in years 3 onwards.</li> </ul>	<ul style="list-style-type: none"> <li>• “Normal business” is continuing in terms of reporting through PFM processes and routinely to CMT and quarterly to Cabinet. Due to the way Welsh Government is helping fund the Covid 19 response there is uncertainty as to both timing and quantum of actual grant support available to this Council and has necessitated a delay in reporting by one month to normal cycle. This is likely to continue. There is however no normality to a spending position which requires budgets to be flexed by over £100m in revenue and over £20m in capital in the first quarter alone. There are material overspends and a near certain need to exhaust contingency and draw down from reserves. Both have been reported to cabinet in October and are to be reported to Council in November.</li> <li>• The S151 officer is operating a deliberately blended approach to robust monitoring and action and has reported as such to Cabinet, Council, Audit Committee and Scrutiny. Planning and delivery will stick to as normal patterns as possible albeit with that material uncertainty rider in all planning and delivery assumptions and an increased risk of the s151 needing to exercise his statutory intervention powers in extremis.</li> </ul>

## Annual Governance Statement 2020/21

		<ul style="list-style-type: none"> <li>The Deputy Chief Executive is leading on the Achieving Better Together Transformation Plan (for both Covid 19 and the future replacement for Sustainable Swansea) and has taken a substantive report through Cabinet in October 2020 which sets out a framework for future development and delivery.</li> </ul>
Lack of workforce capacity, capability and resilience and relying on staff goodwill.	<ul style="list-style-type: none"> <li>Development of a Workforce Plan to support high performance and enable a skilled, flexible and engaged workforce.</li> </ul>	<ul style="list-style-type: none"> <li>Pre-Covid, a session was undertaken with Heads of Service on the development of individual workforce plans and how these would then feed into the overall corporate workforce plan.</li> <li>A significant amount of interim, transitional workforce planning has been undertaken in response to Covid since March, e.g. Deployment of staff across the Council to deliver: Support for those vulnerable and shielding, issuing emergency payments, PPE, food banks, enabling digital capabilities for the remote workforce, and most importantly Social Care and TTP teams.</li> <li>The Council's ability to respond quickly and effectively to the crisis is testament to the skills, flexibility and resilience of the workforce.</li> <li>As a result of Covid-19 workforce planning has been understandably delayed. This will be revisited over the coming months in light of Covid-19 as part of the Achieving Better Together Transformation Plan.</li> </ul>
Performance Reviews, i.e. appraisals system /	<ul style="list-style-type: none"> <li>Continue to develop a new appraisal solution to be delivered</li> </ul>	<ul style="list-style-type: none"> <li>The appraisal process is in place but appraisals were suspended because staff were diverted onto Covid work. However, one to ones</li> </ul>

## Annual Governance Statement 2020/21

<p>induction training not fit for purpose.</p>	<p>digitally through the new Oracle Cloud solution in November 2021.</p> <ul style="list-style-type: none"> <li>• Address Induction training of new staff as part of the review of the induction process and future policy reviews.</li> </ul>	<p>and corporate meetings have taken place on a regular basis, with the emphasis on meeting the needs of maintaining core council services to protect our residents and fighting and addressing the Covid pandemic.</p>
<p>Embed the Future Generation Act principles into the Council's processes and decision making.</p>	<ul style="list-style-type: none"> <li>• Further development of integrated impact assessments to be undertaken to ensure that legal and regulatory compliance are embedded into the decision making process.</li> <li>• Provision of training/information on the requirements of the Future Generations Act.</li> </ul>	<ul style="list-style-type: none"> <li>• A draft Future Generations Impact Assessment was developed and was piloted by Financial Services during the budget setting process for 2021/22. The learning from this was incorporated into the subsequent development of an Integrated Impact Assessment, which is now in place and seeks to assess the impact on of an initiative on equalities, the new socio-economic duty and future generations.</li> <li>• Online training to improve awareness of the Future Generations Act and to support the Future Generations Impact Assessment is being developed.</li> <li>• Training will be supported by online videos to improve understanding and application of the Act.</li> </ul>
<p>Patchy Partnership Governance, including application of risk management.</p>	<ul style="list-style-type: none"> <li>• Continue to address the challenges and areas for further development as set out within the Annual Report on Regional Working.</li> </ul>	<ul style="list-style-type: none"> <li>• A report to Audit Committee on 5<sup>th</sup> December provides a summary of the Welsh Government's and WLGA's Review of Strategic Partnerships and outlines action taken by the Welsh Government and Swansea Council to date and indicates implications and potential</li> </ul>



## Annual Governance Statement 2020/21

		<p>actions that Swansea Council should consider.</p> <ul style="list-style-type: none"> <li>• Swansea will leave the ERW Education Consortium from 31st March and a new regional consortium is being established to ensure it is fit for purpose.</li> <li>• The development of CJC's should streamline and help sort some aspects of partnerships and also the wider aspects of Local Government and Elections (Wales) Act may help merge or dissolve some partnerships.</li> </ul>
ICT Disaster recovery.	<ul style="list-style-type: none"> <li>• Resolve through the move to cloud services, particularly Oracle Cloud in November 2021.</li> </ul>	<ul style="list-style-type: none"> <li>• The ICT Infrastructure is now on resilient platforms. The long term Digital Strategy is to move to the cloud. All email has moved to cloud and progress on data is ongoing through the Enterprise Content Management (ECM) project. Proof of Concepts for systems to move to the Azure platform are progressing to formulate a plan for migration. Oracle Cloud project progressing well prior to the pandemic – the project restarted in February 2021 and will be complete in November 2021.</li> </ul>
Use and governance of social media accounts	<ul style="list-style-type: none"> <li>• Complete the review underway of the use of social media and social media access.</li> </ul>	<ul style="list-style-type: none"> <li>• Processes and ways of working have been tightened around this area. Changes are being implemented and this item can now be removed as it is not a corporate governance issue.</li> </ul>
Continue to improve risk management arrangements	<ul style="list-style-type: none"> <li>• Services and risk owners to continue to improve their compliance to the Council's Risk Management Policy and</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management monitoring and reporting was recovered during July and August 2020 following suspension from March as a result of Covid. Risk monitoring and monthly reporting re-commenced in August.</li> </ul>

	<p>Framework, including monthly risk reviews and improving the quality of risk controls.</p> <ul style="list-style-type: none"> <li>• Develop the Council’s new risk register application to produce reports to help oversee the status of risk.</li> </ul>	<ul style="list-style-type: none"> <li>• As a result of the second wave of the pandemic, CMT decided in December that risk reports would continue but would be provided via email and that there will be no requirement to provide updates nor review the control measures of risks that were not currently being managed due to service changes caused by Covid. Such risks designated as ‘Covid Disruption’ would be monitored and their likelihood and impact updated but not actively managed as a result of the impact from Covid.</li> <li>• Efforts have focussed on responsible officers reviewing and updating their risks each month; compliance has improved each month since recovery with 95% of risks having being reviewed in March 2021. Improving other aspects of compliance has been another focus as has increasing resilience by ensuring that risks have two officers capable of updating the risk register each month; these areas have shown improvement too, e.g. 95% of risks as at March 2021 have two designated officers capable of updating the risk. Work to improve the quality of risk controls will be the next improvement priority in line with available resources, capacity and other priorities as a result of the ongoing effects of Covid.</li> <li>• The majority of the risk register system development has been completed. The Risk Register and the work to roll-out and implement the register was given a</li> </ul>
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## Annual Governance Statement 2020/21

		<p>‘substantial’ level of assurance by Internal Audit. Further enhancements to the risk register and its reporting functionality have been implemented.</p> <ul style="list-style-type: none"> <li>• Directors to attend Audit Committee on a rotational basis each quarter to provide an update on Internal Control Environment with a focus on Risk Management and the five highest Risks that Directors are managing.</li> </ul>
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The following table identifies issues which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during **2020/21** to address the issues. **At the time of writing the COVID-19 crisis occurred and so the timescales and actions will be impacted depending on the severity and longevity of the crisis.**

Significant Governance Issue linked to Framework	Action to be taken
Budget pressures (including external and demand-led pressures and overspends) & problems living within budgets.	<ul style="list-style-type: none"> <li>• Address continued material uncertainty as a result of Covid and other challenges and continue a deliberately blended approach to robust monitoring of budgets, savings and transformation activity and action consistent with other Councils and policy responses at Welsh Government, UK Government and report as such to Cabinet, Council, Audit Committee and Scrutiny.</li> <li>• Commence and oversee delivery of the Achieving Better Together Transformation Programme through the Strategic Recovery Board to ensure that the Council is sustainable and financially resilient in the longer term.</li> </ul>
Lack of workforce capacity, capability and resilience and relying on staff goodwill.	<ul style="list-style-type: none"> <li>• Development of a Workforce Plan to support high performance and enable a skilled, flexible and engaged workforce as part of the Council's</li> </ul>

## Annual Governance Statement 2020/21

	Achieving Better Together Transformation Plan.
Performance Reviews, i.e. appraisals system / induction training not fit for purpose.	<ul style="list-style-type: none"> <li>• Recommence appraisals and continue to develop a new appraisal solution to be delivered digitally through the new Oracle Cloud solution in November 2021.</li> <li>• Address Induction training of new staff as part of the review of the induction process and future policy reviews.</li> </ul>
Embed the Future Generation Act principles into the Council's processes and decision making.	<ul style="list-style-type: none"> <li>• Provision of training/information on the requirements of the Future Generations Act.</li> </ul>
Patchy Partnership Governance, including application of risk management.	<ul style="list-style-type: none"> <li>• Develop a plan to establish CJsCs resulting from the Local Government and Elections (Wales) Act.</li> </ul>
ICT Disaster recovery.	<ul style="list-style-type: none"> <li>• Resolve through the move to cloud services, particularly Oracle Cloud in November 2021.</li> </ul>
Continue to improve risk management arrangements	<ul style="list-style-type: none"> <li>• Work with responsible officers to improve the quality of risk controls.</li> </ul>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ..... Chief Executive

Date .....

Signed..... Leader

Date .....

## *Glossary of Terms*

We appreciate that the Statement of Accounts as presented contains a number of technical terms which may be unfamiliar to the lay reader. Wherever possible we have sought to minimise the use of technical terms but in some instances this has not been possible. The following section attempts to explain the meaning of some of those technical terms that are used in the Statements.

### **Accrual**

Sums due to the Authority or payable to external organisations in the financial year irrespective of whether the cash has been received or paid.

### **Actuary**

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

### **Agency Services**

Agency services are services provided for us by an outside organisation.

### **Amortised Cost**

Amortised costs are used to spread the financial impact of depreciation or using an equivalent interest rate or the effect of a premium or discount over a number of years on the income and expenditure account.

### **Associate**

An associate is an entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

### **Audit**

An audit is an independent examination of our activities.

### **Balance Sheet**

This is a statement of our assets and liabilities at the date of the balance sheet.

### **Budget**

A budget is a spending plan, usually for the following financial year.

### **Capital Adjustment Account**

This Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed by depreciation, impairment and disposals, and the amount that has been set aside to finance capital expenditure.

### **Capital Expenditure**

Capital expenditure is spending on fixed assets. These are assets which will be used for several years to provide services such as buildings, equipment and vehicles.

## *Glossary of Terms*

### **Capital Receipts**

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

### **Cash Equivalents**

Cash Equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Cash flow Statement**

This is a statement that summarises the movement in cash during the year.

### **Consolidated Balance Sheet**

This balance sheet combines the assets, liabilities and other balances of all our departments, at our year end date.

### **Corporate and Democratic Costs**

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

### **Credit Risk**

This is the risk of loss due to a debtors inability to make interest or principal repayments on a loan/investment.

### **Creditor**

A creditor is someone we owed money to at the date of the balance sheet for work done, goods received or services rendered.

### **Current Assets**

These are short-term assets which are available for us to use in the following accounting year.

### **Current Liabilities**

These are short-term liabilities which are due for payment by us in the following accounting year.

### **Debtor**

A debtor is someone who owed money to us at the date of the balance sheet.

### **Depreciation**

Depreciation is the theoretical loss in value of assets, which we record, in our annual accounts.

## *Glossary of Terms*

### **Direct Labour Organisation or Direct Service Organisation (DLO or DSO)**

This is our own organisation. It consists of workers we directly employ (including supervisory staff), accommodation, equipment and so on, used to carry out specified tasks for us.

### **Earmarked Reserves**

These are reserves we have set aside for a specific purpose.

### **Financial Year**

This is the accounting period. For local authorities it starts on 1<sup>st</sup> April and finishes on 31<sup>st</sup> March in the following year.

### **Finance Leases**

When we use finance leases, we take on most of the risks (and rewards) of owning the assets.

### **Fixed Asset**

These are long-term assets we use (usually for more than one year).

### **Gilt Edged Stocks**

These are investments in government or local authority stocks. They are regarded as risk-free.

### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

### **Housing Revenue Account**

This account contains all our housing income and spending.

### **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

### **Joint Venture**

A joint venture is an entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

### **Leasing**

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

## *Glossary of Terms*

### **Liability**

A liability is an amount payable at some time in the future.

### **Liquidity Risk**

This is the risk that investments cannot be readily turned into cash or realised because there is no ready market for the instrument or there are restrictive clauses in the agreement.

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

This is the amount we have to set aside to repay loans.

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

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

### **Net Realisable Value**

The selling price of the asset, reduced by the relevant cost of selling it.

### **Non Distributable Costs**

These are costs that relate to past activity costs, such as the cost of redundant assets or information technology, or past service pension that cannot be allocated to services.

### **Operating leases**

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

### **Precepts**

This is the amount we pay to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

### **Provision**

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

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

This is a Government agency which provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which Government itself can borrow.

### **Related party transactions**

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.



## *Glossary of Terms*

### **Reserves**

These are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

### **Revaluation Reserve**

This reserve represents the difference between the revalued amount of fixed assets in the Balance Sheet and their depreciated historical cost.

### **Revenue**

Income arising as a result of an Authority's normal operating activities.

### **Revenue account**

This is an account which records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

### **Scheduled organisation**

An organisation whose employees have an automatic right to be members of a pension fund.

### **Service recipient**

A party that has contracted with an Authority to obtain goods or services that are an output of the Authority's normal operating activities in exchange for consideration.

### **Securities**

These are investments such as stocks, share and bonds.

### **Stocks**

Stocks are raw materials we purchased for day to day use. The value of those items we had not used at the date of the balance sheet is shown in current assets in the balance sheet.

### **Subsidiary**

An entity is a subsidiary of the reporting authority if:

- the authority is able to exercise control over the operating and financial policies of the entity, and
- the authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

### **Temporary Borrowing or Investment**

This is money we borrowed or invested for an initial period of less than one year.

### **Transfer value**

This is the value of payments made between funds when contributors leave service with one employer and decide to take the value of their pension contributions to their new employer's fund.

## *Glossary of Terms*

### **Trust Funds**

Trust funds hold an individual's or organisation's money on their behalf. Trustees administer the money for the owners.

### **Unit Trusts**

These are investment companies which accept money from many different investors. The money is pooled and used to buy investments.

### **Venture Capital Units**

These are investments we have made in businesses where there is a higher risk but where rewards are also likely to be higher, if the businesses are successful.

### **Work in Progress**

Work in progress is the value of work done on an unfinished project at the date of the balance sheet and which has not yet been recharged to the appropriate revenue account.