

## Appendix 2 – Summary of 2020/21 primary financial statements

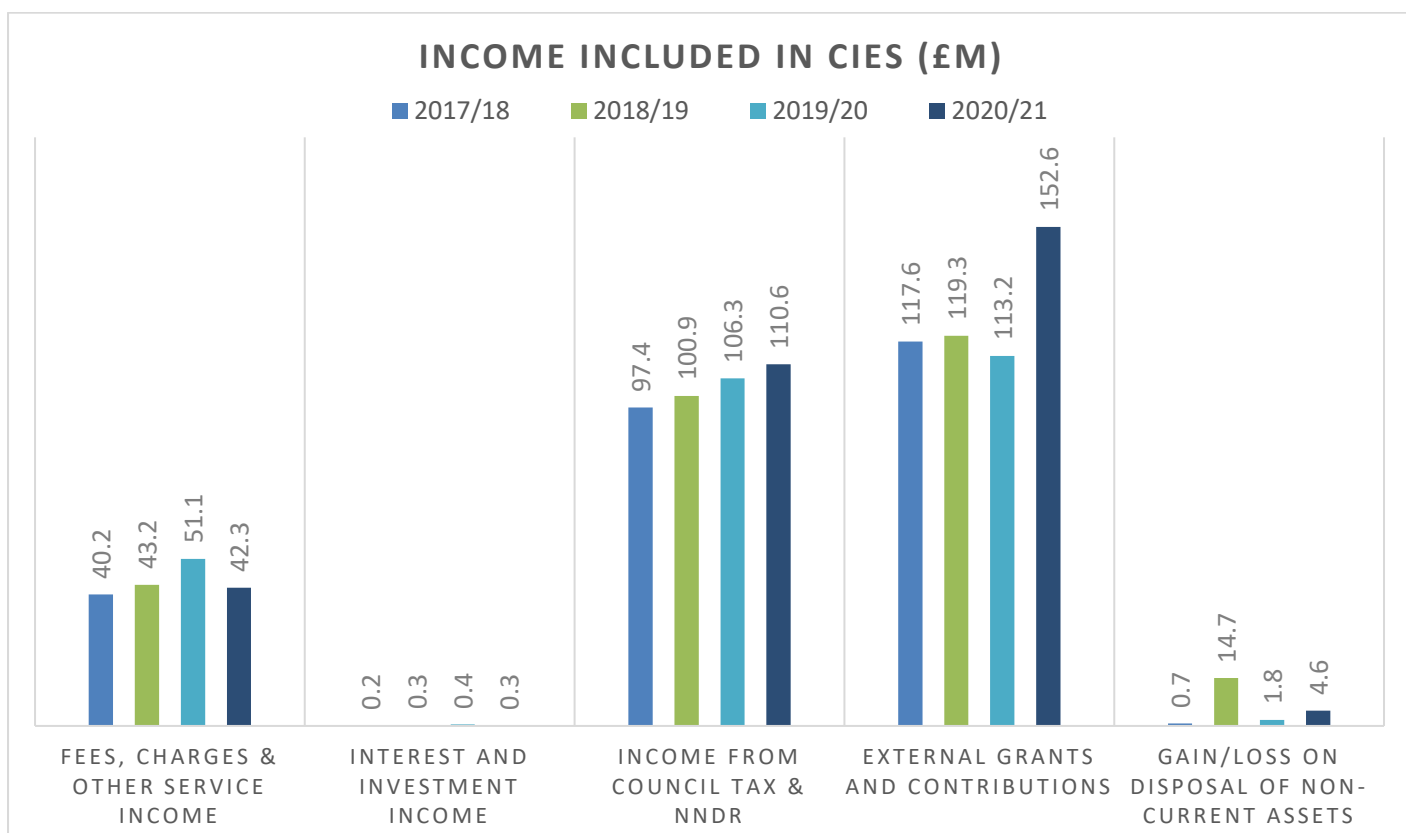
### Comprehensive Income & Expenditure Statement (CIES) (Sections 6 & 11)

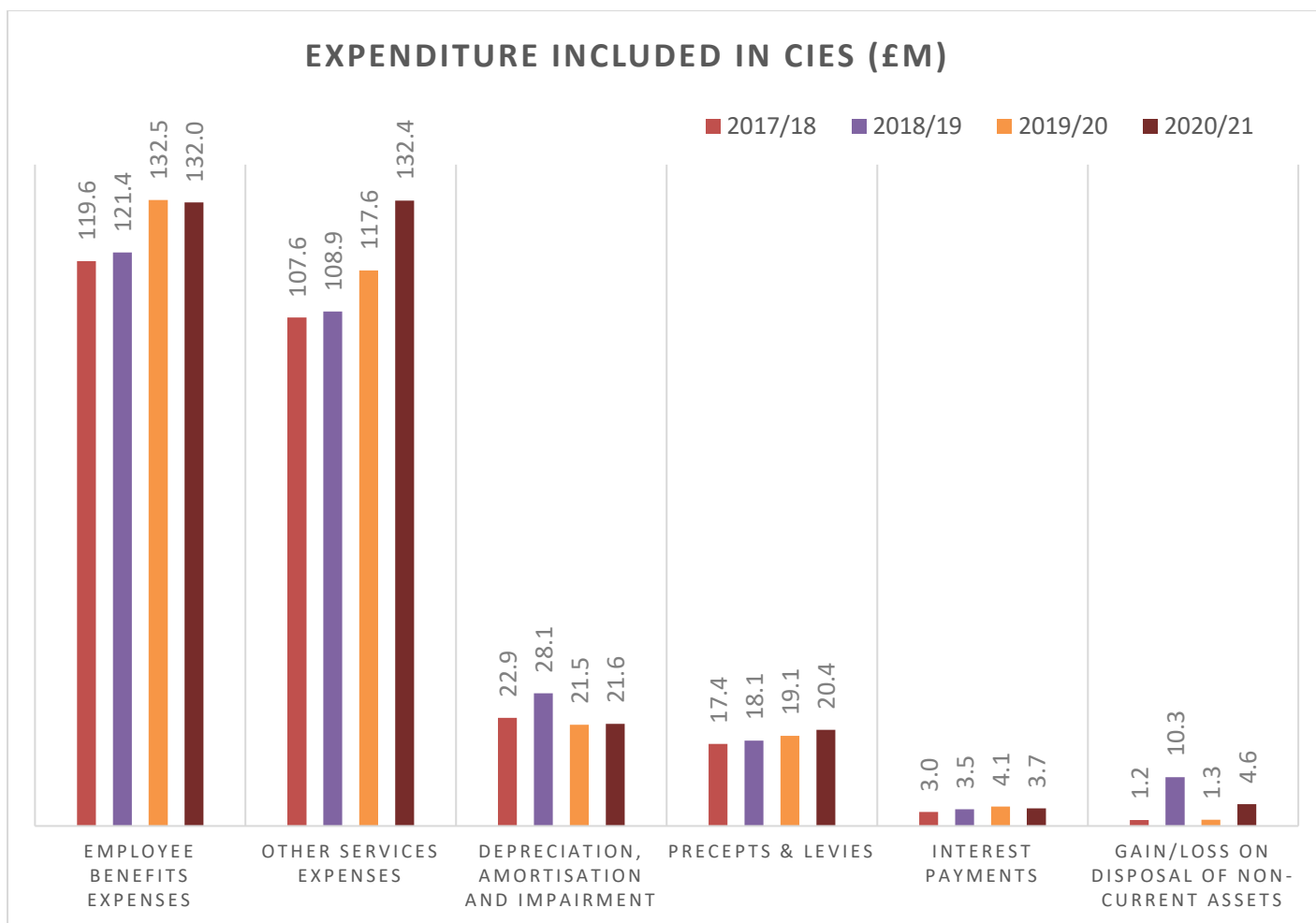
The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This will be considerably different to the monitoring reports received by Cabinet during the year which are based on expenditure to be funded from taxation. The CIES will include the following items not included within the monitoring reports presented to Cabinet periodically:

- **Capital charges** for depreciation, amortisation, impairment, revaluation movements and capital grants applied
- **Pension service costs** - the financial statements need to reflect the fair value of the future pension liabilities relating to past employee service, and the extent to which assets have been set aside to fund them, rather than the actual payments and contributions made in the year
- **Accumulated absences** – the CIES includes an adjustment for accrued employee holiday benefits so that the cost is charged to revenue in the financial year in which the holiday absence occurs
- **Other** – regulations stipulate the format of the CIES and consequently some items of income or expenditure are shown within different classifications to the monitoring reports

The following charts illustrate the movement in the “accounting” income and expenditure which make up the Surplus/deficit on the provision of services (SDPS) within the CIES. Further information can be found in notes 11.1 & 11.2 of the accounts.

### Income & Expenditure analysed by nature





The increase in *other service expenses*, reduction in *fees & charges* and increase in *external grants* can all largely be explained by the direct impact of Covid-19 on the Authority. A total of £22.7m in extraordinary grant support was received from Welsh Government during the year to support additional costs of £13.3m and income losses of £9.4m.

## Movement in Reserves (Sections 5 & 10)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' and 'non-usable' reserves.

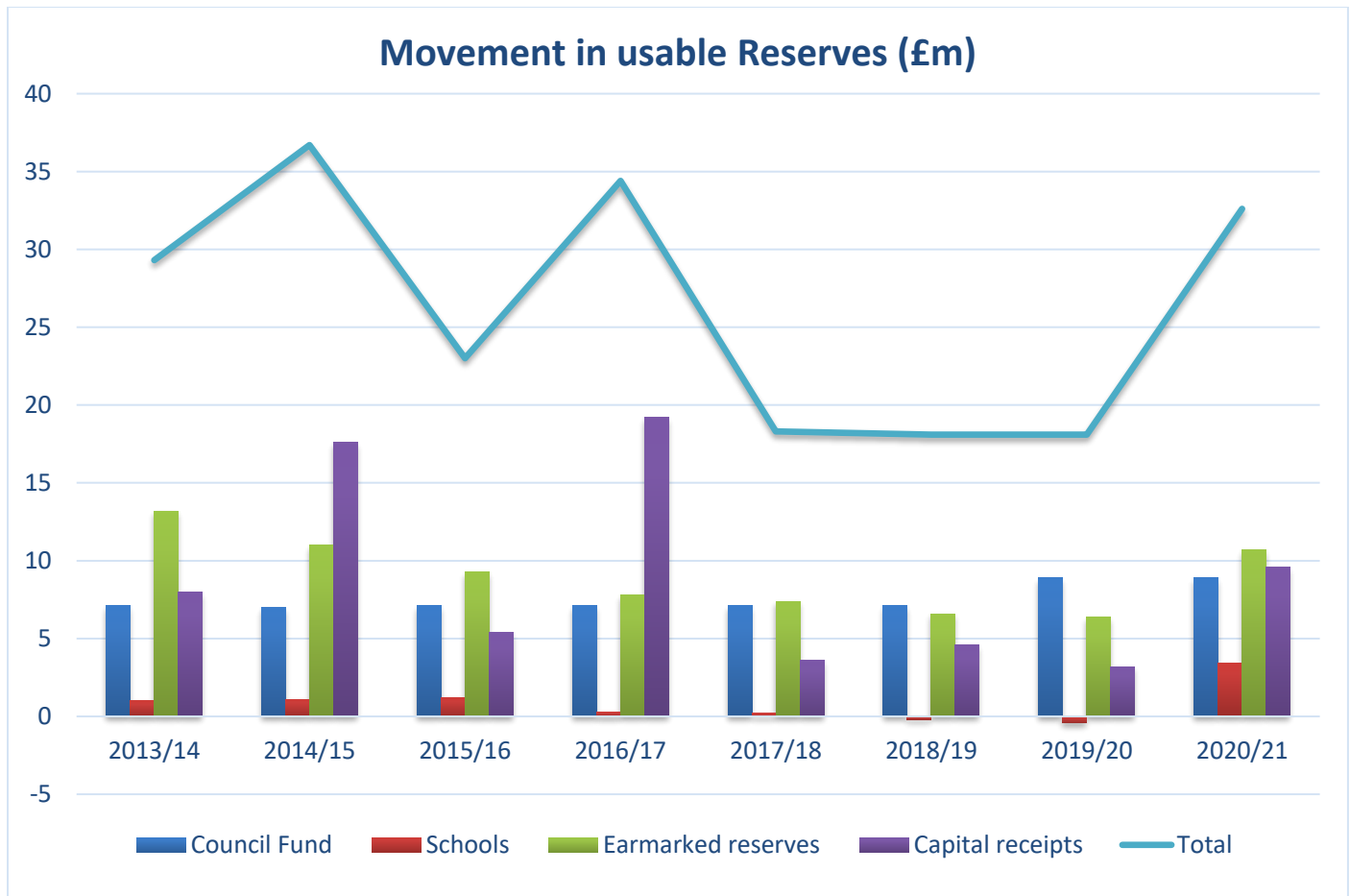
**Usable reserves** are those that represent resources which the authority might use to support service delivery subject to prudence and statutory limitations on use and include:

- Council fund balance
- Schools balances
- Earmarked reserves
- Capital receipts reserve

**Unusable reserves** are not available to use to support service delivery at the reporting date. It 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.

The below chart shows the movement in **Usable reserves** over the past eight financial years. The capital receipts reserve is by far the most variable usable reserve which can be expected given that it has

supported significant capital investment in the Authority's schools modernisation programme over the period.



Both Earmarked reserves and Schools reserves have seen replenishment during 2020/21 which has reversed a sustained period of decline. This is largely as a result of one-off support provided by Welsh Government to aid with Covid-19 pressures alongside a reduced level of activity during the period as a result of ongoing Covid-19 restrictions.

### Balance Sheet (Sections 7, 12, 13 & 14)

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.

There is a difference of £68.6m between the Council's assets (things we own e.g. property, investments, stocks and debtors) and its liabilities (what we owe to others).

This difference represents a deficit of assets over liabilities and is a measure of *Total Worth* – i.e. what the council would be worth if bought / acquired by someone else.

The main driver in the change of total worth during 2020/21 comes from the significant remeasurement of pension fund liabilities which has increased by £76.4m. Further explanation can be found in note 14.8 of the statement of accounts but in summary is as a result of the remeasurement of scheme liabilities during the year based on a revised set of assumptions (i.e. increased inflation, decreased discount rate, increased longevity/age presumptions).

A summary of the Council's Balance sheet is shown below:

31st March 2020 £m		31st March 2021 £m	Change £m
<b><i>What we own and are owed (Assets):</i></b>			
398.6	Non-current assets	392.7	(5.9)
5.8	Investments	24.8	19.0
22.4	Cash & Cash equivalents	19.2	(3.2)
31.5	Debtors	36.4	4.9
2.1	Assets held for sale	2.6	0.5
0.4	Inventories & other assets	0.4	0.0
<b>460.8</b>	<b>Total Assets</b>	<b>476.1</b>	<b>15.3</b>
<b><i>What we owe (Liabilities):</i></b>			
(92.6)	Long term Borrowing – to finance capital expenditure	(85.0)	7.6
(95.1)	Short term borrowing – to support day to day cash flow & finance capital expenditure	(98.5)	(3.4)
(32.5)	Creditors & provisions	(44.2)	(11.7)
(230.5)	Liability for meeting future pension costs	(306.9)	(76.4)
(9.8)	Other liabilities	(9.8)	0.0
<b>(460.5)</b>	<b>Total Liabilities</b>	<b>(544.4)</b>	<b>(83.9)</b>
<b>0.3</b>	<b>Total Worth (Assets less Liabilities)</b>	<b>(68.3)</b>	<b>(68.6)</b>
<b><i>Usable Reserves (available to support service delivery)</i></b>			
8.5	Council Fund Balance	12.3	3.8
6.4	Earmarked Reserves	10.7	4.3
3.2	Capital Receipts Reserve	9.6	6.4
0.4	Joint Arrangements	0.2	(0.2)
<b>18.5</b>	<b>Total Usable Reserves</b>	<b>32.8</b>	<b>14.3</b>
<b><i>Unusable Reserves (not available to support service delivery)</i></b>			
41.5	Revaluation Reserve	38.6	(2.9)
(230.5)	Pensions Reserve	(306.9)	(76.4)
167.5	Capital Adjustment Account	166.6	(0.9)
5.5	Deferred Capital Receipts Reserve	2.7	(2.8)
(0.5)	Financial Instrument Adjustment Account	(0.5)	0.0
(0.4)	Financial Instrument Revaluation Reserve	0.0	0.4
(3.5)	Accumulating Absence Adjustment Account	(4.1)	(0.6)
2.2	Joint Arrangements	2.5	0.3
<b>(18.2)</b>	<b>Total Unusable Reserves</b>	<b>(101.1)</b>	<b>(82.9)</b>
<b>0.3</b>	<b>Total Reserves</b>	<b>(68.3)</b>	<b>(68.6)</b>