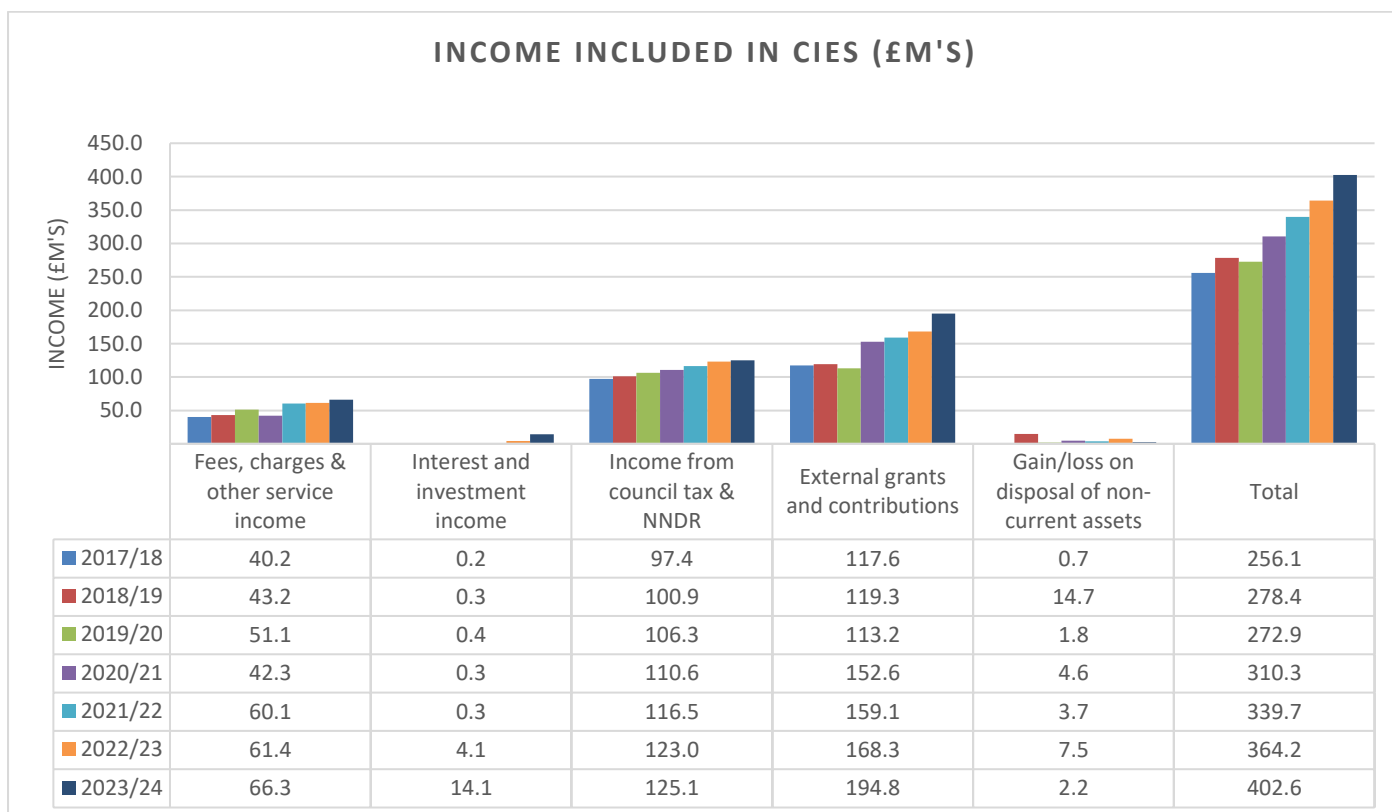


## Appendix 2 – Summary of 2023/24 primary financial statements

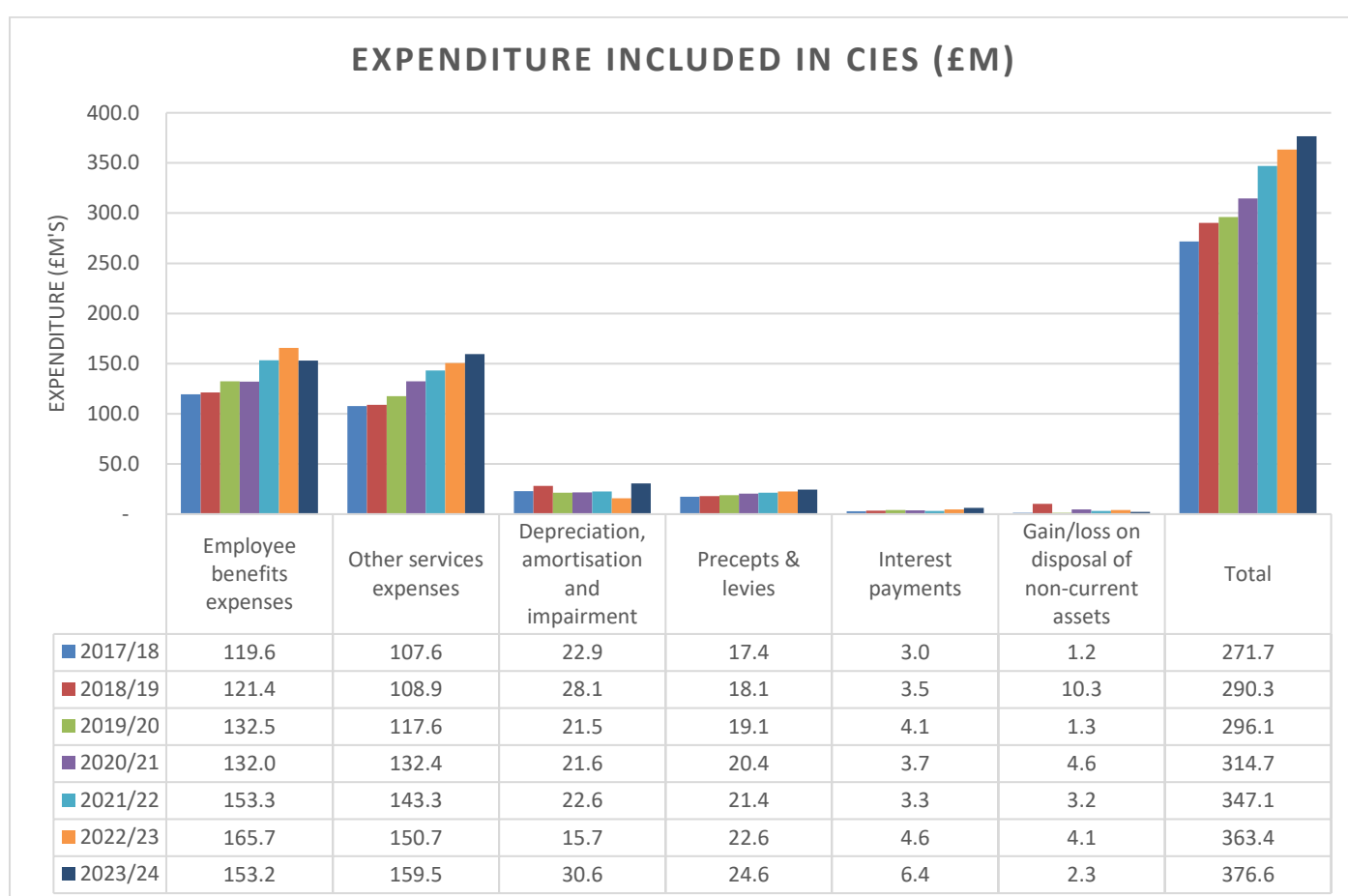
### Comprehensive Income & Expenditure Statement (CIES) (Sections 6 & 11)

- The CIES shows the **accounting cost** of providing services in accordance with generally accepted accounting conventions. This will be considerably different to the budget monitoring reports received by Cabinet during the year which are solely based on expenditure which is to be funded from Council income. The CIES consequently includes the following additional items to arrive at an accounting cost:
  - Capital charges** for depreciation, amortisation, impairment, revaluation movements and capital grants applied;
  - Pension service costs** - the CIES reflects 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 by the Council 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 physically 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 (note 11.2)



- 3 **Fees, charges & other service income** has increased by £4.9m (8.0%) year on year (YOY) which is largely in line with expectations as charges for Council services have increased in line with cost and inflationary pressures experienced. This will include charges for services such as Waste, Social Care, rents, and Car parking for example.
- 4 The increase in **investment income** of £10.1m partly reflects the increased interest rate environment experienced over the period, which has generated £1m more interest YOY. However, by far the largest element of the increase relates to the increase in the valuation of the Council's investment properties, and whilst this is shown as income in the CIES, this is simply an accounting adjustment that has no impact on Council's funding position.
- 5 The increase in **external grants** of £26.5m (15.7%) YOY is mainly due to the increase in capital grants applied during the year, reflective of expected variances in specific grant awards for capital schemes such as the new King Henry school scheme.



- 6 **Employee benefit expenses** have reduced by £12.5m (7.5%) YOY. Standard employee costs have increased YOY by £9.3m which is reflective of staff pay awards and service operating levels. However this has been more than offset by a reduction of £22m in the accounting cost of providing for pension related costs under accounting conventions. Increased investment returns on pension fund assets, and reductions in projected liabilities have combined to reduce future liabilities and consequently the annual cost share reported in the CIES.
- 7 The increase in **other service expenses** of £8.8m (5.8%) YOY principally reflects the additional demand pressures and inflationary environment that services have experienced in premises, supplies and third-party contracts during 2023/24.

8 **Depreciation, amortisation & impairment** has increased significantly YOY which is principally due to an increase in impairment charges. Volatility can be expected in this area dependent upon the assets included in the cycle of valuations, and capital expenditure carried out in any one year.

### Movement in Reserves (Sections 5 & 10)

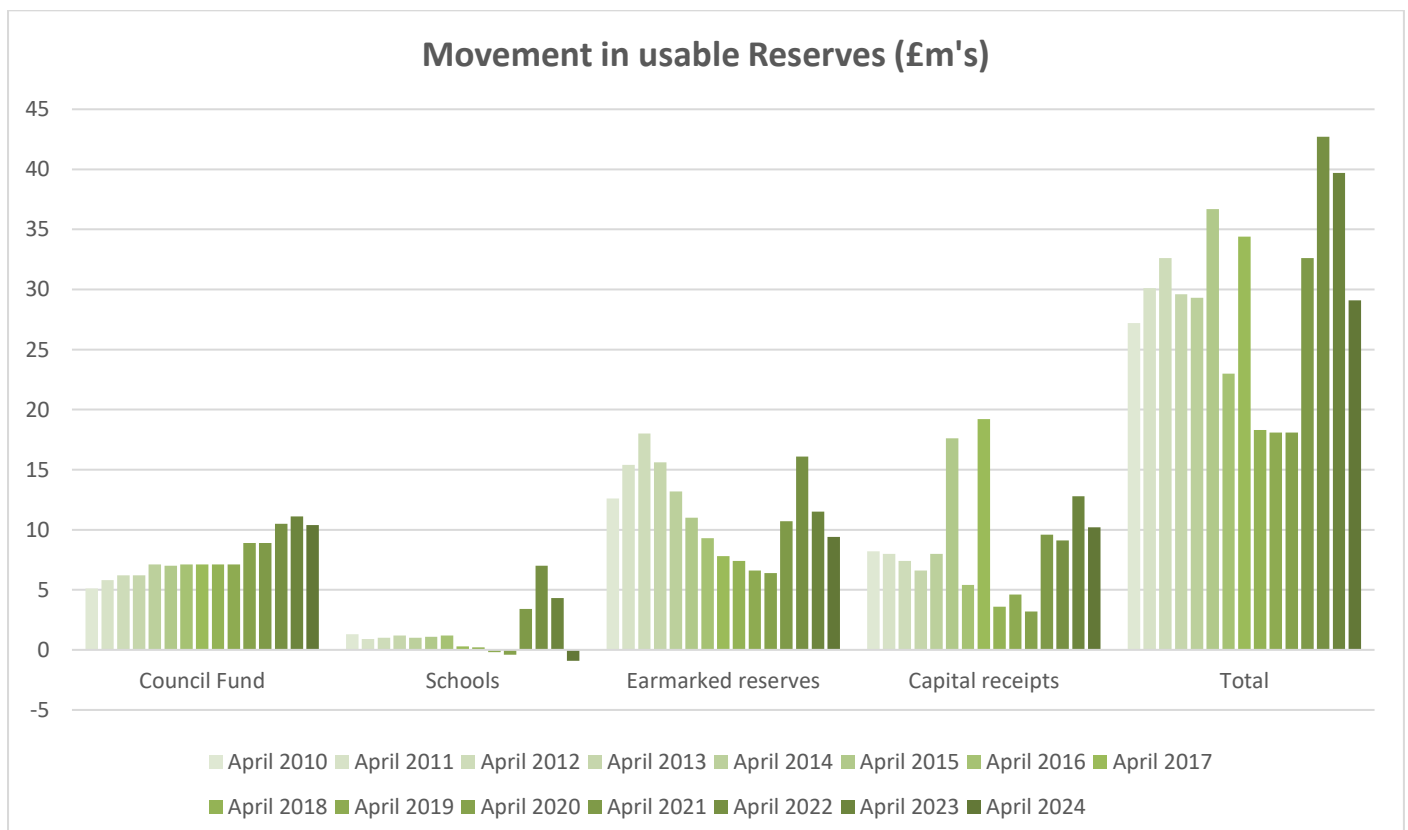
9 This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable' and 'non-usable' reserves.

10 **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
- School's balances
- Earmarked reserves
- Capital receipts reserve

11 **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.

12 The below chart shows the movement in **Usable reserves** over time. The capital receipts reserve is by far the most variable usable reserve which can be expected given varying levels of receipts received over time, and that it has supported significant investment in the Authority's capital programme over the period.



- 13 **Earmarked reserves** saw a sustained period of decline from 2013 as reserves were used to invest in redesign and modernisation of services during a period of funding pressures and wider financial challenges for Local Government.
- 14 This trend was significantly reversed over the pandemic period by additional funding received from Welsh Government that was intended to provide Councils with suitable resources to be able to manage the post-pandemic impact upon demand for services and a period of economic recovery. 2023/24 has culminated in a draw of £2.1m of earmarked reserves to support the demand and inflationary pressures that were prevalent during the year.
- 15 The **Council fund** sits at £10.4m at 1<sup>st</sup> April 2024 and represents 5% of the Council's net revenue budget for 2024/25. This level is in line with the minimum sustainable level of cover as outlined in the Council's Medium term financial strategy.
- 16 The 2023/24 financial year has culminated in a £5.1m draw on **school's balances**, resulting in the return to a cumulative deficit balance of £905,000 and with thirteen of thirty-three schools now holding deficit balances.
- 17 Schools continue to face significant budget pressures, particularly in respect of attendance, behaviours and increased additional learning needs. This has required increased staff and specialist resources to tackle the issues presenting and increased the overall costs of provision. Higher than budgeted pay awards have also impacted upon budgets.
- 18 The Authority continues to work closely with those schools of concern to aid in the return to a more sustainable budget plan over the medium term without impacting on educational standards.

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

31st March 2023		31st March 2024	Change	Change
£m		£m	£m	%
	<b>What we own and are owed (Assets):</b>			
480.1	Non-current assets	537.0	56.9	11.9%
18.2	Investments	7.5	(10.7)	-58.8%
24.7	Cash & Cash equivalents	8.3	(16.4)	-66.4%
61.8	Debtors	46.2	(15.6)	-25.2%
1.0	Assets held for sale	1.3	0.3	30.0%
0.5	Inventories & other assets	0.6	0.1	20.0%
<b>586.3</b>	<b>Total Assets</b>	<b>600.9</b>	<b>14.6</b>	<b>2.5%</b>
	<b>What we owe (Liabilities):</b>			
(133.1)	Long term Borrowing – to finance capital expenditure	(124.2)	8.9	-6.7%
(67.2)	Short term borrowing – to support day to day cash flow & finance capital expenditure	(51.7)	15.5	-23.1%
(49.5)	Creditors & provisions	(47.8)	1.7	-3.4%
(56.6)	Liability for meeting future pension costs	(6.0)	50.6	-89.4%
(9.5)	Other liabilities	(10.7)	(1.2)	12.6%
<b>(315.9)</b>	<b>Total Liabilities</b>	<b>(240.4)</b>	<b>75.5</b>	<b>-23.9%</b>
<b>270.4</b>	<b>Total Worth (Assets less Liabilities)</b>	<b>360.5</b>	<b>90.1</b>	
	<b>Usable Reserves (available to support service delivery)</b>			
11.1	General Fund Balance	10.4	(0.7)	-6.3%
4.3	Schools Balances	(0.9)	(5.2)	-120.9%
11.5	Earmarked Reserves	9.4	(2.1)	-18.3%
12.8	Capital Receipts Reserve	10.2	(2.6)	-20.3%

1.4	Joint Arrangements	1.4	0.0	0.0%
41.1	<b>Total Usable Reserves</b>	<b>30.5</b>	<b>(10.6)</b>	<b>-25.8%</b>
	<b>Unusable Reserves (not available to support service delivery)</b>			
77.4	Revaluation Reserve	87.0	9.6	12.4%
(56.6)	Pensions Reserve	(6.0)	50.6	-89.4%
210.4	Capital Adjustment Account	251.0	40.6	19.3%
3.4	Deferred Capital Receipts Reserve	2.4	(1.0)	-29.4%
(0.5)	Financial Instrument Adjustment Account	(0.5)	0.0	0.0%
(0.4)	Financial Instrument Revaluation Reserve	(0.3)	0.1	0.0%
(4.4)	Accumulating Absence Adjustment Account	(3.6)	0.8	-18.2%
229.3	<b>Total Unusable Reserves</b>	<b>330.0</b>	<b>100.7</b>	<b>43.9%</b>
270.4	<b>Total Reserves</b>	<b>360.5</b>	<b>90.1</b>	

- 19 The Balance Sheet shows the value 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.
- 20 There is a difference of £360.5m 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 the surplus of assets over liabilities and is a measure of *Total Worth* – i.e. a theoretical value of what the council would be worth if purchased / acquired by another party.
- 21 This position has improved markedly YOY primarily as a result of the movement in the forecast liability for meeting future pension costs. This is explained further below.

## Debtors

- 22 The YOY reduction in debtor balances is significant at £15.6m or 25.2% and reflects positively on the action of the Council to recover amounts owed to it. Note 13.5 to the accounts analyses the amounts owing to the Council by debt type and shows that this movement is predominantly due to public sector debt (Welsh Government, other Councils, or NHS bodies).
- 23 68% of debt was not overdue at the balance sheet date, with a further 10% overdue by less than 3 months.

## Investments and Cash & cash equivalents

- 24 There is an overall reduction of £27.1m YOY in these balances which is reflective of the Council's treasury management strategy of utilising its internal resources before physically taking on additional loan funding to fund capital expenditure financed from borrowing.

## Non-current assets (Land, buildings, infrastructure, vehicles & plant)

- 25 Revaluations were carried out on approximately 20% of our non-current assets during the year in line with the 5-year rolling programme of revaluation. This has resulted in an overall increase in value of £56.9m or 11.9% to £537m.
- 26 The audit sector nationally has raised concerns in recent years of the impact of significant increases in build costs which as a consequence may mean that it is no longer appropriate

for audited bodies to rely on valuations of assets carried out in previous financial years (i.e. the 80% of assets we didn't revalue in 2023/24) to demonstrate that carrying values remain materially consistent with current values at 31 March 2024.

- 27 To overcome this issue, the Council agreed an approach with Audit Wales that indexation of assets most impacted by this issue is carried out using sector wide building cost information. Valuations have subsequently been adjusted to reflect the current trend in building cost data, and this accounts for the significant increase seen in overall values of non-current assets.

## **Pension liability**

- 28 The main driver in the change of total worth during 2023/24 comes from the significant accounting re-measurement of net future pension fund liabilities which has decreased by £50.6m (89.4%).
- 29 This has resulted from an increase of £59.5m in the value of scheme assets, offset by an increase in the value of scheme liabilities of £8.9m. The increase in scheme assets is due to the improvement of investments with equities, bonds and infrastructure investments all increasing in value. The increase in liabilities is due to changes in financial assumptions (e.g. inflation, discount rate, longevity/age presumptions).
- 30 It should be noted that the fund is there for the long-term funding of pensions, and annual variations in actuarial assumptions can regularly skew the presentation of the overall balance sheet figures quite significantly in any one year. Any estimated deficit on the pension scheme and its impact on the Council's overall reserves is also a long-term consideration. Notably, the deficit and liability would not arise in any one single year, and the deficit is being addressed through higher employee and employer contributions, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

## **Borrowing**

- 31 The Council has maintained its treasury management strategy of utilising its own internal resources before physically taking on additional loan funding to fund capital expenditure financed from borrowing. Consequently borrowing levels have reduced over the year by £24.4m (12.2%).
- 32 The proportion of short term borrowing (<12 months to maturity) has reduced from 33% to 29% over the year. This is reflective of the approach to secure some further certainty in borrowing costs over the medium term in reducing interest rate exposure.
- 33 Further information can be found in the 2023/24 treasury outturn report for the Authority.

## **Creditors & Provisions**

- 34 Creditors & provisions have reduced YOY by £1.7m or 3.4%. Note 13.6 to the accounts provides additional detail on the composition of this balance.
- 35 Amounts owing to non-public sector bodies have reduced by £3.7m YOY with 95.9% of payments during the year made within the 30 day target (97.3% in 2022/23).