

25th of November 2022

WLGA DRAFT FINANCIAL STATEMENTS 2021-22

Purpose

1. To present to the WLGA Council:

- The Audit Findings Report March 2022 (Annex 1); and
- The Auditors' Letter of Representation (Annex 2).

and ask that the WLGA council approves:

- The WLGA Strategic Report, Report of the Chief Executive and Financial Statements for the year ended 31 March 2022 (Annex 3); and
- The Consolidated Statement of Accounts for the WLGA and Data Cymru for the year ended 31 March 2022 (Annex 4).

Financial Review of the Year

2. The Welsh Local Government Association collects subscriptions from its members to support the services it provides and in 2021-22 subscriptions were increased by 2% compared with the previous financial year.
3. The Association also receives grant income from the Welsh Government and other bodies for a number of specific activities in support of Welsh local authorities. In 2021-22 the Association's grant income increased by £3.6m in comparison with the previous financial year. These increases are primarily related to grants in relation to Welsh Government's response to the COVID-19 pandemic. Full details of the Welsh Government and other grants can be found on page 20 (Annex 3).
4. In 2021-22 the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show and a number of national social care functions set out on page 22 (Annex 3)
5. The Association shows a deficit of £440,377 for 2021-22 compared to a deficit of £334,604 in the previous reporting period. The Association returned a surplus of £398,623 before the adjustment for the pension in these financial statements and a breakdown is shown on page 30 (Annex 3).

Principal Risks and Uncertainties

6. The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.
7. During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.
8. The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.
9. The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.
10. Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru.
11. We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

Recommendations

12. Members are asked to:

11.1 Approve the WLGA Strategic Report, Report of the Chief Executive and Financial Statements for the year ended 31 March 2022; and

11.2 Approve the Consolidated Statement of Accounts for the WLGA and Data Cymru for the year ended 31 March 2022.

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Audit Findings Report for the year ended 31st March 2022

Annex 1



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. The terms and conditions, under which our audit will be performed, including our roles and responsibilities and auditors, are set out in our letters of engagement. These have been issued separately.

However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This report highlights the key issues affecting the results of the association and the preparation of the financial statements for the year ended 31st March 2022. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK) 260.

We are required to report whether, in our opinion, the association's financial statements give a true and fair view of the financial position of the association and its income and expenditure for the year and whether they have been properly prepared in accordance with FRS 102.

Status of our audit	<p>We have completed all of our audit work.</p> <p>Matter outstanding:</p> <ul style="list-style-type: none"> - Board approval of financial statements - Signed letter of representation
Audit opinion	On the completion of the audit we expect to issue an unmodified opinion.
Materiality	Final materiality has been set at £730,000. A level of £36,500 has been set as our clearly trivial level.
Audit risks & other areas of focus	We have no significant items to highlight regarding significant audit risks and other areas of audit focus.
Accounting estimate and judgements	We have no issues to report in this area and considered the process of estimation to be appropriate and key assumptions to be well balanced for these items.
Internal controls	<p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, if we identify any control weaknesses, we report these.</p> <p>Our work has identified no control weakness which we wish to highlight for your attention.</p> <p>Our follow up to the interim audit and prior year recommendations has shown that 1 have been resolved and 3 are still ongoing.</p>

Adjusted misstatements	As a result of our audit work, we identified 5 misstatements that require adjustment by management.
Unadjusted misstatements	We have noted no errors above triviality level of £36,500 that require adjustment.
Independence	We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity in performing our duties as auditors.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the Martin and the finance team during our audit.

Audit approach

The auditing findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

As auditor we are responsible for performing the audit in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance their responsibilities for the preparation of the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In our audit plan presented to you in March 2022 we reported our planning materiality used in planning our overall audit strategy. In line with ISA (UK) 450, prior to the evaluation of uncorrected misstatements, we have considered whether it necessary to revise materiality.

As planning materiality was based on prior year accounts we have revisited our actual materiality to consider actual result for the period. Our audit work has been carried out using the revised materiality so has had no impact on our audit testing.

Area	Planning materiality	Final materiality
Overall	£360,000	£730,000

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have applied the de minimis level of 5% of overall materiality reported in our audit planning report to the final materiality.

Areas of significant risk

We raised a number of significant risks in our audit plan where we detailed work we would be carrying out as part of our audit procedures. We performed procedures during the audit to address each of these risks and ensure the financial statements are free from a material misstatement.

Risk	Overall Risk Factor	Work completed, issues & assurance gained
Revenue recognition <i>There is a presumption that revenue recognition is a significant risk on every audit engagement (ISA (UK) 240)</i>	High	<p>During the course of our audit work we have completed walk through tests on all significant income streams.</p> <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
Management Override of Controls <i>Management override of controls should be considered a risk on every engagement (ISA (UK&I) 240.74)</i>	High	<p>During the course of our audit we have undertaken the following procedures:</p> <ul style="list-style-type: none"> Considered indication of management bias in accounting estimates and their overall appropriateness; Reviewing journal entries and other adjustments made at the end of the accounting period; and <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
Treatment of Office Refurbishment Costs Deferred income may be materially misstated	Medium	<p>Expenditure of the leasehold property have been capitalised and depreciated appropriately during the year.</p> <p>There were no issues identified.</p>
Treatment of Rent Free Period Pension liability is a high risk area due to being a material balance	Medium	<p>The rent free amount has been considered against materiality and is not deemed material to adjust for.</p> <p>There were no issues identified.</p>
Treatment of Deferred Income	Medium	<p>We reviewed the deferred income calculations provided by the finance team and compared to the information in the grant offer letters for accuracy.</p> <p>There were no issues identified.</p>

Accounting estimates and judgements

Accounting estimates vary widely in nature and are required to be made by management when the monetary amounts cannot be directly observed. The measurement of these monetary amounts is subject to estimation uncertainty, which reflects inherent limitations in knowledge or data. The process of making accounting estimates involves selecting and applying a method using assumptions and data, which requires judgement by management and can give rise to complexity in measurement. We have outlined below a summary and how we assess the key accounting judgements applied by management.

Assessment

- We consider the estimate to potentially be materially misstated and disagree with judgements used to derive the estimate or estimation process
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be optimistic
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be cautious
- We consider the process of estimation to be appropriate and key assumptions to be well balanced

Key Estimate	2022 Value	2021 Value	Assessment	Explanation
Accruals	2,418,555	9,428,410	●	Accruals are based on actual invoices instead of estimations and 65% of 2022 value has been verified to invoices. Large variance on previous year due to £6m one off grant in prior year.
Pension Liability	8,277,000	10,646,000	●	Actuary report has been reviewed and there are no issues around the competence of the actuary producing the report.

As part of the requirements of ISA (UK) 540 we will require written representations whether the methods, significant assumptions and the data used in making the accounting estimates and the related party disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with applicable reporting framework and as such has been included on the draft letter of representation provided.

Internal Controls

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those deficiencies we have identified during the course of the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for year ended 31st March 2021.

The following control issues were identified during the audit. These control issues are categorised according to the level of risk attached:

- Red Significant weaknesses – risk of material misstatement
- Amber Significant deficiency – risk of significant misstatement
- Yellow Deficiency – risk of inconsequential misstatement

	Area of control	Issue and risk	Recommendations
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No new internal control weaknesses have been identified this year.

Follow up of prior year audit and interim audit recommendations

The following summarises the progress made to implement recommendations identified in our prior year audit findings reports and our interim audit for the current year.

	Number of recommendations that were:			
	Included in report	Implemented	Ongoing	Position to be confirmed at final audit
Final Audit Findings Report 2021	3	2	1	1
Interim Audit Findings Report 2022	2	1	1	1
Total	5	3	2	2

	Area of control	Issue and recommendation	Status as of final audit
●	Income being raised late	<p>It was highlighted from our audit work that some income was not invoiced until two months after the work had been done.</p> <p>This could result in missed income and a delay in receiving the money.</p> <p>The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis</p>	There were no issues with obtaining the information required for income testing during the current year audit.
●	Control of Raising Income	<p>It was highlighted from our audit work that some income was not invoiced until two months after the work had been done.</p> <p>This could result in missed income and a delay in receiving the money.</p> <p>The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis.</p>	There were no issues with obtaining the information required for income testing during the current year audit.
●	Grant claims going in late	<p>There are a couple of occasions where grant claims were submitted late, there could be a threat that the claims are rejected.</p> <p>The finance department should be made aware of all claims ongoing and when they are likely to claim, to ensure none are missed.</p>	Issue still ongoing at final audit

●	Personnel files not up to date	<p>There was one individual where the information held on the personnel file was out of date or missing.</p> <p>Personnel files should be reviewed and updated to include the most recent information.</p>	Issue still ongoing at final audit
●	Material reconciliation difference on the bank account at year end due to incorrect journal posting	<p>There is a material bank difference on the bank reconciliation reports due to a journal not being processed correctly. This is resulting in the bank balance being materially misstated at the year end.</p> <p>We recommend to amend the journal in order to rectify the bank balance.</p>	<p>Difference is in relation to a write off journal that requires amendment. To be amended prior to the year end.</p> <p>Adjustment not made post interim audit, adjustment has now been made during the final audit.</p> <p>Issue resolved.</p>

Adjusted misstatements

We are required to report all items above our trivial threshold to those charged with governance, whether or not the financial statements have been adjusted by management. Below is a summary of the adjustments made from the initial trial balance received to the financial statements along with the impact on the primary statements. All of these adjustments have been agreed with management before adjusting.

Adjustment			
	Dr £	Cr £	Description
1	1,985,000		Pension Deficit Movement
		565,000	Repost employers contributions
	1,195,000		Pension Charge
	290,000		Interest Charge
		2,824,000	Other Comprehensive Income
	3,389,000	3,389,000	Pension Adjustment
2	50,000		Leasehold Property Improvements Depreciation – P&L
		50,000	Leasehold Property Improvements Depreciation – Balance Sheet
	50,000	50,000	Leasehold Property Improvements Depreciation
3	3,500		Website Costs
	700		VAT
		4,200	Intercompany Creditor
	4,200	4,200	Missing Intercompany Invoice
4	117,890		Trade Debtors
		117,890	VAT Suspense
	117,890	117,890	Correct VAT Balance
5	474,154		Bank
	5,252,846		Reserves
		218,000	Accruals
		5,509,000	Pension Deficit
	5,727,000	5,727,000	Opening Balance Adjustments

Overall effect to the profit and loss is a decrease in profits of £973,500.

Unadjusted misstatements

Below is a summary of any unadjusted misstatements identified during the course of our audit except for those deemed trivial. In line with ISA (UK) 450 'Evaluation of misstatements identified during the audit' we will require a written representation confirming the reasoning for not making these adjustments.

Income Statement		Balance sheet		Description
Dr £	Cr £	Dr £	Cr £	

No errors above triviality level of £36,500 to disclose

Other Matters

Fraud

- We have previously discussed the risk of fraud in our planning report. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.

Laws & Regulations

- You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.

Related parties

- In forming an opinion on the financial statements, we are required to evaluate whether identified related party relationships and transactions have been appropriately accounted for and disclosed. We have no issues to report in this area.

Written representations

- A letter of representation has been requested from the board, including specific representations. This has been provided externally to this report.

Disclosures

- Our review found no material omissions in the financial statements

Accounting policies

- The accounting policies used to prepare the financial statements are considered to be appropriate and are in accordance with the relevant accounting standards.

Appendix 1 – Auditor independence and objectivity

Bevan Buckland LLP is required to maintain independence from Welsh Local Government Association in line with the Ethical Standard (2019) issued by the Financial Reporting Council (FRC) and the ethical pronouncements established by the auditor's relevant professional body, in our case the Institute of Chartered Accountants in England & Wales. In addition, our reputation and continued success as a firm depends on us maintaining auditor independence. We have procedures in place to ensure that any conflicts of interest of which we are aware are communicated to directors and appropriate action taken. This includes all relationships between Bevan Buckland LLP and Welsh Local Government Association that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity of the audit engagement partner and the audit staff.

However, there may be factors known by the board of which we are not aware. Our letter of engagement requires the board to notify us if it becomes aware that any person becomes connected with Bevan Buckland LLP and we will be asking the board to give us written representations that there are no such matters at the conclusion of the audit.

Maintaining and assessing our independence is a continual process throughout the audit cycle. However, we will formally confirm our independence and any significant matters we have considered in assessing any threats to our independence and objectivity in our Report to the board.

We have made enquires of all Bevan Buckland LLP teams providing services to you for compliance matters to ensure our independence is maintained.

In our judgement we have complied with the UK regulatory and professional requirements including the Ethical Standard (2019) issued by the FRC. We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity at the date of the audit plan. As a result we are able to express an objective opinion on the financial statements.

Safeguards

As part of the firms safeguards, all audits are subject to a review by a second partner or independent reviewing officer. The review undertook all high risk areas, significant judgements, financial statements, audit plan and audit findings reports.

The following other services are provided by Bevan Buckland LLP and the relevant safeguard applied is:

Non audit service - Preparation of accounts in statutory format

- Any adjustments required were approved by management first prior to updating the statutory accounts

Non audit service - Corporation tax services

- Seperate Bevan Buckland LLP employees undertook this service, that are not involved in the audit engagement team

Appendix 2 - Strategic, Financial & Governance Health Check

Strategic	Current year	Prior year
Association has stated strategic objectives in trustees report	●	●
Association reports progress against these objectives	●	●
Are the activities of the association in line with the association's objects?	●	●
Association has a long term strategy/plan?	●	●
Association produces an annual budget?	●	●
Association reports against budget/strategy?	●	●

Financial	Current year	Prior year
Unrestricted surplus	●	●
Net current assets	●	●
Positive "free reserves"	●	●
Reserves policy in place	●	●
Reserves level in line with policy	●	●
What level of reserves are required?	●	●
Association has budgets in place for at least 12 months	●	●
Documented financial controls?	●	●

Risk	Current year	Prior year
Risk register in place	●	●
Risk Register regularly reviewed	●	●
Have all appropriate risks been identified?	●	●
Appropriate actions taken in response to risks identified	●	●

Governance	Current year	Prior year
Have the board held sufficient meetings in the year?	●	●
Is the financial reporting to the board clear, transparent, readily understood by all board members at each meeting?	●	●
Have the board reviewed their internal controls recently?	●	●
Have the board carried out a skills audit?	●	●
Are minutes of all board meetings kept?	●	●
Do you have procedures in place to deal with conflicts of interest?	●	●

Bevan Buckland LLP





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Dear Auditor

This representation letter is provided in connection with your audit of the financial statements of the association for the year ended 31 March 2022, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects, in accordance with applicable financial reporting framework.

We confirm that the following representations are made on the basis of enquiries of the executives, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you:

1. We have fulfilled our responsibilities as trustees under the Companies Act 2006 for preparing financial statements, in accordance with the applicable financial reporting framework.

We confirm that in our opinion the financial statements give a true and fair view and in particular that where any additional information must be disclosed in order to give a true and fair view that information has in fact been disclosed. We confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate, and we approve these accounts for the year ended 31 March 2022.

2. We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the association have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and board meetings, have been made available to you. We have given you unrestricted access to persons within the association in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
3. We acknowledge that it is a criminal offence to make a false statement in this regard, and where any director either makes a false statement; is aware that the statement is false; is reckless in preventing this statement; or fails to take reasonable steps to prevent the directors' report from being approved, we acknowledge that each director will be guilty of a criminal offence.
4. We confirm the association has satisfactory title to all assets and there are no liens or encumbrances on the assets, except for those disclosed in the financial statements.

5. We confirm that the methods, significant assumptions and data used by us in making accounting estimates, and the related disclosures, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

We confirm that we have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

We confirm that the association has no liabilities or contingent liabilities other than those disclosed in the financial statements.

6. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.
7. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.
8. We confirm that we are aware of the definition of a related party for the purpose of the accounting framework being applied in the preparation of the accounts.

We confirm that the related party relationships and transactions set out below are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.

<i>Party</i>	<i>Relationship</i>	<i>Nature of transaction</i>
Local Government Data Unit	Subsidiary	Various transactions as detailed further in the notes of the accounts

9. We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework.
10. We confirm that the association neither had, at any time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the charity) for executives, nor provided guarantees of any kind on behalf of the executives.

11. We confirm that the association has not contracted for any capital expenditure other than as disclosed in the financial statements.
12. We confirm that the association has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
13. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the association conducts its activities and which are central to the association's ability to conduct its activities.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the organisation.

There have been no deficiencies in internal control of which we are aware.

15. We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by employees, former employees, analysts, regulators or others.
16. We confirm that, in our opinion, the association's financial statements should be prepared on the going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the association's needs. In reaching this conclusion, we have taken into account all relevant matters of which we are aware, and have considered a period of at least one year from the date on which the financial statements will be approved.
17. We confirm that in our opinion the effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.
18. We confirm that all grants and other income, including those subject to special terms or conditions or received for restricted purposes, have been notified to you. There have been no breaches of terms or conditions during the period regarding the application of such income.
19. We confirm the following specific representations made to you during the course of your audit relating to
 - Income received in advance but unspent at 31 March 2022 amounted to £3,424,765
 - We agree with the assumptions used by the Actuary for the purposes of the pension liability

- We confirm that all grant debtors outstanding at the year end will be received and that no provision should be made against these and no amounts are repayable to funders

20. We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:

- so far as each director is aware, there is no relevant audit information of which you as auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that you are aware of that information.

21. We acknowledge that it is a criminal offence to knowingly or recklessly make you as an auditor, a statement (oral or written) that conveys, or purports to convey, information or explanations that you require in your capacity as auditor, or are entitled to require, that is misleading, false or deceptive in a material particular.

Yours faithfully,

.....

Signed on behalf of the board of trustees

Trustee.....

Date.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Ground Floor, Cardigan House,
Castle Court, Swansea Enterprise Park,
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WELSH LOCAL GOVERNMENT ASSOCIATION

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WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The Chief Executive presents his strategic report for the year ended 31 March 2022.

REVIEW OF BUSINESS

The WLGA is rooted in the belief that public services should be delivered through a democratic framework of local accountability and the conviction that local government is best placed to make decisions about how local services are organised, delivered and managed. Never has this been more evident than during the recent period of unprecedented global crises.

The WLGA's work during 2021-22 has been dominated by the demands of extraordinary international crises. Covid-19 has again overshadowed the work of the WLGA for most of 2021-22 as it has for the since its emergence in early 2020. Even though vaccines have helped to ease the pandemic, the pressure on council services and the work of the WLGA has continued. At the same time, the war in Ukraine and the ensuing global economic crisis has presented enormous challenges and the economic and financial impact of Brexit continues to be felt.

The pandemic has demonstrated the importance of local democracy and local delivery experience and operational expertise. Councils have demonstrated that they are uniquely placed at the heart of their communities and public service delivery and are invariably the first port of call for the most vulnerable or those in need of support or assurance.

Councils have demonstrated flexibility, innovation, resilience and responsiveness and the crisis demonstrated councils' ability to respond irrespective of scale and reaffirmed the WLGA's stance on the importance of subsidiarity and localism, with elected members and officers rooted in their local communities.

Throughout the pandemic, the WLGA has sought to provide an interface between leaders and cabinet members and Ministers, sharing information and intelligence, providing a sounding board for approaches and escalating local issues of concern.

Negotiating the local government revenue and capital settlements continue to be a big part of the WLGA's work. During the past year, we undertook powerful and consistent evidence-based lobbying to show the value of local services. This contributed to one of the best settlements since devolution, with an increase in RSG of £438m or 9.4%. Core funding for local government topped £5 billion for the first time ever and is £1 billion higher, in cash terms, than the 2017-18 baseline at start of the term.

With persistent lobbying by the WLGA, the Welsh Government has produced a multiyear settlement providing indicative allocations of an additional £177m (3.5%) in 2023-24 and £128m (2.4%) in 2024-25. This will take core funding to £5.4 billion in 2024-25, some £1.3 billion higher than it was at the start of this term.

For the first time in nearly 10 years, the settlement outcomes in both 2020-21 and 2021-22 significantly addressed the evidenced cost pressures set out to the Finance Sub-Group. The 2021-22 settlement has also been topped up with an additional £60m and with the help of Treasurers, Leaders made a strong case for a £50m fund to address winter pressures and social care overspends.

The operation of the hardship fund in Wales differed from elsewhere in the UK and during 2020-21, in the first full year of the pandemic, led to an additional £400m being made available for pressures and £190m for lost income. The available budget for 2021-22 was £368m. As a claims-based scheme, the fund ensured that funding went to those authorities in most in need. The scheme provided funding for income lost and additional pressures and grew from an initial £30m fund in response to requests from WLGA leaders.

In addition to the hardship fund, the Welsh Government has provided just over £53m in support of the pressures councils have faced over the past two years due to reduced council tax collection rates and larger numbers of Council Tax Reduction Scheme (CTRS) claimants. The funding has come with maximum flexibility.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT.)

The WLGA has worked closely with the Welsh Government and a wide range of other partners throughout the Covid-19 and Ukraine crises and the scale and scope of political engagement between local and central government in Wales has been a key feature of recent years. The WLGA helped create a relationship of partnership and mutual respect with the Welsh Government during the Covid period and this has been sustained through the Ukraine and cost of living crises.

Engagement with Ministers and the Welsh Government has been intense but proportionate and almost always productive and constructive. Local Government and Finance Minister Rebecca Evans continued to meet local government leaders frequently on a regular basis and facilitated opportunities for other ministers to join those meetings as appropriate, and when required. This innovative development was quickly recognised as a successful and central feature of the response phase. In addition, the WLGA Leader was invited to join Welsh Government Cabinet meetings as and when appropriate.

Regular engagement with ministers in health and social care, education, and the economy, has also been a feature of the last year. Increasing demand for services, across both Adults and Children's Services, with increased complexity of cases and support packages required, along with workforce challenges and funding levels that have not kept pace with demand, all these issues have been key challenges facing social care services over the past term and key areas of activity for the WLGA.

The Covid-19 pandemic, while hugely challenging for social care staff and those in receipt of services, truly demonstrated the real value and worth of social care and increased public understanding of the roles social care undertake in supporting vulnerable people. Ensuring staff were protected with the necessary PPE, advising on testing regimes for the workforce and residential care residents, developing and supporting implementation of the shielding scheme and inputting to the development of policy and guidance were areas of work WLGA engaged with during this time, supporting the workforce to undertake their roles safely.

Brexit remained a feature of the WLGA's work during 2021-22. An extensive £1.2m support programme was secured by WLGA to help local authorities to prepare for the UK's momentous exit from the EU. We worked intensively with UK Government, Welsh Government, and regional partnerships on replacement EU funding to maximise potential of the Shared Prosperity Fund in Wales and avoid gaps in provision.

The WLGA's partnership with the Welsh Government to deliver sector-led improvement support continued to flourish during the year as did the work of the Digital Team.

The WLGA's structure and work programme reflect these changing and uncertain times. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities. The WLGA has however reinitiated the implementation of organisational changes that were begun before the pandemic, which sought to reform and refresh the organisation in preparedness for the establishment of the new Association for the new municipal term from May 2022.

The WLGA continued reviewing organisational and HR policies and new WLGA branding was introduced in 2021-22 in advance of a new website to support our communications and public affairs activities.

In late 2021, the WLGA moved to new, modern offices at One Canal Parade co-locating with public service partners. The new office promotes and supports a culture of collaboration and agile working and will deliver annual savings and a significantly reduced carbon footprint, incorporating recycled furniture through local suppliers and community-owned enterprises.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT.)

We have adopted new ways of working, reflecting the approaches of councils by moving to remote and recently hybrid working. Working with partner authorities, we promoted and pioneered the approach to bilingual online meetings, including transition from Teams to Zoom and we are currently working with Microsoft in the development of simultaneous interpretation via Teams.

Leaders and wider members became more engaged in and led WLGA business, with more regular leaders' meetings, the establishment of regular Group Leaders' meetings to discuss emerging issues or forthcoming business, and the increased involvement of Deputy Spokespersons in regular bilateral dialogue with Ministers as well as regular cabinet member meetings to extend the engagement.

We have continued to engage with wider elected members, through a range of regular cabinet member networks, training and development sessions, good practice seminars.

PRINCIPAL RISKS AND UNCERTAINTIES

The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.

During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.

The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.

The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru.

We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

FINANCIAL REVIEW FOR THE YEAR

The WLGA collects subscriptions from its members. In 2021-22 subscriptions were increased by 1.4% to £2.139m. Overall subscriptions amount to £2.379m when the LGA share of the subscription is added. Since 2009-10, subscription income has fallen by 23%, or just under a quarter, in real terms.

The Association also receives grant income from the Welsh Government and other bodies for specific activities supporting council functions. In 2021-22 the Association's grant income increased by £4.5m in comparison with the previous financial year, taking the total to an historic high of £33.6m. Apart from the RSG top slices, income comes from nearly 30 different grant schemes. Some of the largest such as the £10m Independent Living Grant are passported straight to councils. Full details of Welsh Government and other grants can be found on page 20

In 2021-22, the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show, LGA Employment services, and a number of national social care functions that are set out on page 22.

The Association shows a deficit of £395,377 for 2021-22 compared to a deficit of £334,604 in previous reporting period. This is due to a higher than anticipated overspend in 21-22 and the accounting treatment of the pensions. A breakdown is shown on page 30.

GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,270,270. The primary reason for the Association having negative reserves is the long-term pension liability of £8,277,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. As noted in the previous section, we expect to see the results of the LGPS triennial revaluation later this year which may impact on expenditure if a decision is made to increase employer contributions.

Excluding the pension deficit, the Association has reserves of £4,006,730 equivalent to the net current assets of the Association. We will work up a reserves policy with the Audit Committee, that will set a target for reserves of between 80% to 100% of net income. This will be subject to the view of the Audit Committee.

In conclusion, even though the financial position shows a negative reserve position at the year end, the Chief Executive is confident that the Association can continue as a going concern for the foreseeable future.

ON BEHALF OF THE MEMBERS

.....
PRESIDING OFFICER - CLLR HUW DAVID

DATE.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his report with the financial statements of the Association for the year ended 31 March 2022.

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable him to ensure that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

CHIEF EXECUTIVE'S CERTIFICATE

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2022 contain a full record of the financial results for the year.

AUDITORS

The auditors, Bevan Buckland LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

The report of the auditors is attached to this financial report.

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

4TH FLOOR ONE CANAL PARADE,
DUMBALLS ROAD,
CARDIFF
CF10 5BF

.....
DATE

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Opinion

We have audited the financial statements of Welsh Local Government Association for the year ended 31 March 2022 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of cashflows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Association's requirements

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to note 23 in the financial statements, which indicates that the Association is insolvent with negative reserves of £4,270,270. This is primarily due to the long term pension scheme deficit of £8,277,000 in which the Association participates. This deficit is an estimate of the expected shortfall of assets over liabilities in the pension scheme and as such the liability is not expected to crystallise in the short term. This indicates that a material uncertainty exists that may cast significant doubt on the Association's long term ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information in the Report of the Chief Executive, but does not include the financial statements and our Report of the Auditors thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Chief Executive.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Chief Executive's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of director

As explained more fully in the Statement of Chief Executive's Responsibilities set out on page 4, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Organisation's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Organisation. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date:

WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Project Income	3	33,557,833	29,090,807
Other Income	4	546,246	645,520
		<u>36,483,266</u>	<u>32,083,345</u>
EXPENDITURE			
Staff Costs	5	4,222,381	3,852,791
Pension scheme charge	6	1,195,000	811,000
Office Accommodation	7	466,359	572,318
Office Services	8	310,530	138,027
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	2,152,874	2,115,728
Welsh Government Other Grant Costs	11	27,563,009	23,971,490
Other Expenses	12	681,752	748,653
Depreciation	13	50,000	
		<u>36,672,338</u>	<u>32,242,174</u>
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
		<u>36,881,338</u>	<u>32,422,174</u>
OPERATING DEFICIT FOR THE YEAR		(398,072)	(338,829)
Interest Receivable		2,695	4,225
DEFICIT ON ORDINARY ACTIVITIES	20	(395,377)	(334,604)
Transfers to/(from) Designated reserves	15	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		<u>(395,377)</u>	<u>(334,604)</u>

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 31, note 20.

None of the Association's activities were acquired or discontinued during either of the above two years.

The notes on pages 17 - 31 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Leasehold Improvements	13	450,000	-
CURRENT ASSETS			
Debtors	14	5,676,665	10,001,345
Cash at Bank and in hand		<u>9,774,711</u>	<u>10,857,897</u>
		15,451,376	20,859,242
CURRENT LIABILITIES	15	<u>11,894,646</u>	<u>17,296,135</u>
NET CURRENT ASSETS		3,556,730	3,563,107
TOTAL ASSETS EXCLUDING PENSION LIABILITY		<u>4,006,730</u>	<u>3,563,107</u>
PENSION LIABILITY	20	(8,277,000)	(10,262,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,270,270)</u>	<u>(6,698,893)</u>
FINANCED BY:			
Reserves	16	(4,270,270)	(6,698,893)
		<u>(4,270,270)</u>	<u>(6,698,893)</u>

Approved by the Association and signed on its behalf on

.....

.....
PRESIDING OFFICER - CLLR HUW DAVID

The notes on pages 17 - 31 form part of these financial statements.

WELSH LOCAL GOVERNMENT ASSOCIATION
OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2022

	2022 £	2021 £
Deficit for the financial year	(395,377)	(334,604)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	1,879,000	3,399,000
Remeasurements on liabilities	945,000	(5,439,000)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME	<u>2,824,000</u>	<u>(2,040,000)</u>
FOR THE YEAR, NET OF INCOME TAX		
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME	<u>2,428,623</u>	<u>(2,374,604)</u>
FOR THE YEAR	<u><u>2,428,623</u></u>	<u><u>(2,374,604)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Retained earnings £	Total equity £
Balance as 1 April 2020	(4,324,289)	(4,324,289)
Changes in Equity		
Total comprehensive income	<u>(2,374,604)</u>	<u>(2,374,604)</u>
Balance at 31 March 2021	<u>(6,698,893)</u>	<u>(6,698,893)</u>
Changes in Equity		
Total comprehensive income	<u>2,428,623</u>	<u>2,428,623</u>
Balance at 31 March 2022	<u>(4,270,270)</u>	<u>(4,270,270)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	<u>(585,881)</u>	<u>5,487,666</u>
Net cash from operating activities		<u>(585,881)</u>	<u>5,487,666</u>
Cash flows from investing activities			
Interest received		2,695	4,225
Capital expenditure		(500,000)	-
Net cash from investing activities		<u>(1,083,186)</u>	<u>5,491,891</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>10,857,897</u>	<u>5,366,006</u>
Cash and cash equivalents at end of year	2	<u><u>9,774,711</u></u>	<u><u>10,857,897</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

1 RECONCILIATION OF OPERATING DEFICIT TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Operating Deficit for the year	(398,072)	(338,829)
Depreciation Charges	50,000	-
Pension adjustment	1,195,000	811,000
Pension contributions paid	(565,000)	(476,000)
Other finance income/costs	209,000	180,000
	<u>490,928</u>	<u>176,171</u>
(Increase) / Decrease in debtors	4,324,680	(8,395,859)
Increase/ (Decrease) in creditors	(5,401,489)	13,707,354
Cash generated from operations	<u><u>(585,881)</u></u>	<u><u>5,487,666</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022	31.03.22	01.04.21
	£	£
Cash and cash equivalents	<u><u>9,774,711</u></u>	<u><u>10,857,897</u></u>
 Year ended 31 March 2021	 31.03.21	 01.04.20
	£	£
Cash and cash equivalents	<u><u>10,857,897</u></u>	<u><u>5,366,006</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company. The accounts present information solely about the Association as an individual undertaking and not about its group.

Turnover/Income

All income is included in the income and expenditure account when the Association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates;

Grant income, where related to performance and specific deliverables, are accounted for as the Association earns the right to consideration by its performance;

Secondment recharges relate to income received for employees seconded to other organisations during the period.

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Fixed Assets

The association has capitalised improvements made on the leasehold property during the year. Depreciation has been calculated on a straight line basis over the term of leasehold.

The Association does not capitalise computer equipment but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £3,788 (2021 £6,425).

Deferred Income

Income received which relates to projects is released to the income and expenditure account to match the expenditure incurred by the projects. This gives rise to a deferred income figure which is shown as a short term creditor in the accounts.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Going Concern

After reviewing the Association's forecasts and projections, the members have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements

Cash at Bank and in Hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2021/22. Subscriptions are paid on the basis of a formula agreed by the Shadow Association in March 1996. The three national parks authorities and the three fire and rescue authorities are associate members.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3 WELSH GOVERNMENT AND OTHER PROJECT INCOME	2022	2021
	£	£
RSG Top Slice Retained: Welsh Local Government Association	968,618	923,600
RSG Top Slice: National Eisteddfod	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400
RSG Top Slice: Royal Welsh Agricultural Society	81,800	80,200
RSG Top Slice: Data Cymru	438,555	422,500
RSG Top Slice: National Adoption Service	473,000	459,200
RSG Top Slice: Looked After Children	400,000	460,000
RSG Top Slice: LGA Workforce support	200,000	200,000
RSG Top Slice - Reflect Project Newport	60,000	-
RSG Top Slice: Food in Schools	199,989	170,607
National Exercise Referral Scheme	165,367	154,920
Waste Improvement	339,781	320,760
National Autism Team	632,123	599,117
Education Training Standards Wales	83,145	42,328
Supporting Service Children in Wales	370,807	286,830
Regional Skills Partnership	806,683	526,497
Armed Forces Free Swimming	28,716	6,465
Resilience and Safety	135,720	94,348
Unaccompanied Asylum Seeking Children	390,411	10,134
Horizon 2020	21,376	58,288
Combined Education Grant	8,987,779	1,021,690
Local Authority Social Services	42,000	143,000
National Commissioning Board	187,587	155,544
Food and Fun (School Holiday Enrichment Programme)	2,610,535	105,759
Wales Strategic Migration Partnership	259,158	238,161
EU Transition Funding	1,119,400	1,244,311
Unadopted Roads Project	79,918	24,302
Life Long Learning Grant	68,720	204
Safer Communities project	-	39,754
Taxi Licencing Project	75,000	78,445
EU Transition Food Provision	-	2,000,000
Homelessness EUTF	-	151,305
Armed Forces Covenant	-	11,637
Armed Forces Liaison Officer	299,000	250,000
NRW Green Recovery	-	4,201,955
Decarb support programme	117,014	6,600,000
Digital team	992,375	262,740
Improvement Support Programme	519,608	149,222
Education Support Covid-19	16,992	7,013,172
All Wales SCN	233,343	94,512
Household Support	1,500,000	-
Independent Living	10,000,000	-
Food in Schools	154,213	-
	<u>33,557,833</u>	<u>29,090,807</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

4 OTHER INCOME	2022	2021
Conference Fees, Charges and Training Events	450	2,083
Policy	13,128	51,808
ADEW Support Officer	40,000	40,000
Directors of Public Protection	91,640	77,718
Principal Youth Officers Group	-	9,439
SWT Policy Officer	30,000	-
Rental income	44,000	43,500
Secondment recharges	327,028	420,972
	<u>546,246</u>	<u>645,520</u>

5 STAFF COSTS

At the year end, the Association's Secretariat was staffed with 83 (2021 - 70) employees.

	2022	2021
	£	£
Total staff costs were as follows:		
Salaries (including redundancy & early retirement costs)	3,748,586	3,471,027
Employers National Insurance	369,903	335,765
Training	84,542	6,711
Travel and Subsistence	6,030	7,965
Recruitment and Advertising	13,320	31,323
	<u>4,222,381</u>	<u>3,852,791</u>

Included in the above staff costs are early retirement costs of £29,012 (2021 £15,518) and redundancy/serverance costs of £64,822 (2021: NIL)

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £154,099 (2021 - £168,116), which can be analysed as follows:-

	2022	2021
	£	£
Gross Salary	118,126	128,865
Employer's National Insurance	15,183	16,571
Employer's Superannuation	20,790	22,680
	<u>154,099</u>	<u>168,116</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

6 PENSION INCOME & EXPENDITURE CHARGE	2022	2021
	£	£
Current service cost	1,157,000	797,000
Past service costs	22,000	-
Curtailments	-	-
Administration expenses	16,000	14,000
	<u>1,195,000</u>	<u>811,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2022, the Association occupied 4th Floor, One Canal Parade, Dumballs Road, Cardiff under a tenancy agreement from Cardiff and Vale College Further Education Corporation of Colcot Road, Barry. The rent payable is £141,375 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 OFFICE SERVICES

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £8,500 (2021 - £8,200). Also included are amounts relating to non audit fees of £5,595 (2021 - £4,000).

9 MEMBERS' SERVICES

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Executive Board and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 RSG TOP SLICE COSTS	2022	2021
	£	£
RSG Top Slice: National Eisteddfod	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400
RSG Top Slice: Royal Welsh Agricultural Society	81,800	80,200
RSG Top Slice: Data Cymru	438,555	422,500
RSG Top Slice: National Adoption Service	473,419	463,728
RSG Top Slice: Looked after children	460,000	460,000
RSG Top Slice: LGA Workforce Support	200,000	200,000
	<u>2,152,874</u>	<u>2,115,728</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11 WELSH GOVERNMENT OTHER PROJECT COSTS (excluding employee costs)

	2022	2021
	£	£
Improvement fund	-	-
Waste Improvement	55,251	38,299
National Exercise Referral Scheme	41,464	27,373
National Autism Team	188,580	139,498
Education Training Standards Wales	61,505	23,370
Supporting Service Children in Education	304,495	219,566
Regional Skills Partnership	806,683	526,497
Armed Forces Free Swimming	28,716	6,465
Resilience and Safety	69,377	26,872
Food and Fun (School Holiday Enrichment Programme)	2,507,719	2,275
Unaccompanied Asylum Seeking Children	390,411	10,134
Wales Strategic Migration Partnership	22,683	17,280
Local Authority Social Services	42,000	175,004
National Commissioning Board	27,711	34,122
Armed Forces Covenant	-	637
Combined Education Grant	8,987,779	1,026,690
Life long learning grant	1,720	204
Unadopted Roads Project	31,464	4,062
EU Transition funding	1,053,683	1,145,113
EU Transition Food Provision	-	2,000,000
Homelessness EUTF	-	151,305
Armed Forces Liaison Officer	299,000	250,000
Food in Schools	219,638	69,102
Safer Communities project	-	663
Horizon 2020	3,598	1,191
Taxi Licence Project	883	866
NRW Green Recovery	-	4,201,955
Decarb support programme	76,576	6,600,000
Digital Team	448,593	111,613
Improvement Support Programme	336,785	145,755
Education Support Covid-19	16,992	6,981,520
All Wales SCN	39,703	34,059
Household Support	1,500,000	-
Independent Living	10,000,000	-
	<u>27,563,009</u>	<u>23,971,490</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12 OTHER EXPENSES	2022 £	2021 £
Information communication technology	27,967	83,632
Website expenses	3,500	3,519
Research	-	2,250
Translation costs	13,041	24,584
Data Cymru (formerly Local Government Data Unit - Wales)	70,000	70,000
Professional and Consultancy fees	126,593	150,170
Conferences & events	150	-
Local Government Association	239,720	235,020
Directors of Public Protection	91,865	97,492
Principal Youth Officers Group	5,412	64
Miscellaneous expenses	30,264	9,259
Project costs	73,240	72,663
	<u>681,752</u>	<u>748,653</u>

13 TANGIBLE FIXED ASSETS	Leasehold Property Improvements £	Total £
Cost		
At 1 April 2021	-	-
Additions	500,000	500,000
Disposals	-	-
Reclassification	-	-
At 31 March 2022	<u>500,000</u>	<u>500,000</u>
Depreciation		
At 1 April 2021	-	-
Charge for the year	50,000	50,000
Disposals	-	-
Reclassification	-	-
At 31 March 2022	<u>50,000</u>	<u>50,000</u>
Net book value		
At 31 March 2022	450,000	450,000
At 31 March 2021	-	-

14 DEBTORS	2022 £	2021 £
Trade Debtors	228,029	172,134
Grant Debtors	5,211,230	9,625,167
Sundry Debtors	1,095	62,290
VAT	236,311	141,754
	<u>5,676,665</u>	<u>10,001,345</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

15 CREDITORS	2022 £	2021 £
Trade Creditors	6,051,426	5,113,340
Accruals	2,418,455	9,646,411
Deferred Income	3,424,765	2,536,384
	<u>11,894,646</u>	<u>17,296,135</u>

Included within creditors due within one year are amounts due to the following

	2022 £	2021 £
Local Government Data Unit - Wales - (Data Cymru)	225,626	-
	<u>225,626</u>	<u>-</u>

16 RESERVES	General £	Designated £	Total £
Balance brought forward as previously stated	(6,698,893)	-	(6,698,893)
Deficit for the year	(395,377)	-	(395,377)
Remeasurement (liabilities & assets)	2,824,000	-	2,824,000
Transfers	-	-	-
	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>
At 31 March 2022	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>

17 OPERATING LEASE AND FINANCIAL COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2022	2021
Land and Buildings		
Within one year	-	-
Between one and five years	565,500	424,125
More than five years	848,250	989,625
	<u>1,413,750</u>	<u>1,413,750</u>

The Association has entered into a financial commitment with Cardiff County Council to pay £83,574 for Information and Communication Technology services up to 31 March 2023.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

18 SUBSIDIARY COMPANIES

Data Cymru (formerly Local Government Data Unit - Wales)

	2022	2021
	£	£
Deficit for the year	<u>397,595</u>	<u>(199,083)</u>
Capital and Reserves (after pension creditor)	<u>(374,300)</u>	<u>(886,705)</u>

Reserves before the pension deficit amounted to £915,700 (2021 £913,295). The pension deficit is not expected to crystallise in the short or medium term.

Included in creditors in the balance sheet are amounts owed to Data Cymru of £173,565 (2021 - NIL).

During the year the Association was charged £620,344 (2021 - £525,277) by Data Cymru in the normal course of business.

During the year the Association paid a grant over to Data Cymru amounting to £438,555 (2021 - £422,500)

The results of the Data Cymru have not been consolidated into these financial statements. The results shown within these financial statements are that of the Welsh Local Government Association only.

19 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME

Balance sheet items	2022 £000s	2021 £000s
Market Value of Assets	28,683	25,973
Liabilities	36,960	36,235
(Deficit)	<u>(8,277)</u>	<u>(10,262)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2022		Assets at 31 March 2021	
	£000s	%	£000s	%
Equities	14,256	49.7	13,272	51.1
Government Bonds	2,696	9.4	338	1.3
Other Bonds	975	3.4	2,987	11.5
Property	2,754	9.6	2,338	9.01
Cash/Liquidity	602	2.1	571	2.2
Other	7,400	25.8	6,467	24.9
	<u>28,683</u>		<u>25,973</u>	

Movement in Deficit	2022 £000s	2021 £000s
(Deficit) at beginning of year	(10,262)	(7,707)
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Employer Contributions	565	476
Net interest on pension liabilities	(209)	(180)
Administration expense	(16)	(14)
Effects of curtailments	-	-
Remeasurements on liabilities & assets	2,824	(2,040)
(Deficit) at End of Year	<u>(8,277)</u>	<u>(10,262)</u>

Analysis of Pension Scheme Adjustment	2022 £000s	2021 £000s
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Curtailments	-	-
Employer Contributions	565	476
Net Interest/Return on Assets	(209)	(180)
Administration expense	(16)	(14)
Net Profit / (Loss)	<u>(839)</u>	<u>(515)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME (CONT.)

Analysis of Net Interest/Return on Assets	2022 £000s	2021 £000s
Interest on plan assets	549	526
Interest on Pensionable Liabilities	(758)	(706)
Net Profit / (Loss)	<u>(209)</u>	<u>(180)</u>

Main Assumptions (cont.)

Financial:	2022	2021
CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Discount rate	2.8%	2.1%

Split of assets between investment categories:

Equities	49.7%	51.1%
Government Bonds	9.4%	1.3%
Other Bonds	3.4%	11.5%
Property	9.6%	9.0%
Cash/Liquidity	2.1%	2.2%
Other	25.8%	24.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20 PENSION SCHEME (CONT.)

	2022	2021
Post retirement mortality assumptions		
	S3PA CMI_2018_(1.75%)	
Non-retired members	(131% males, 106% females)	S3PA CMI_2018_(1.75%) (131% males, 106% females)
	S3PA CMI_2018_(1.75%)	
Retired members	(124% males, 104% females)	S3PA CMI_2018_(1.75%) (124% males, 104% females)
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.4 (25.9) years	22.6 (26) years
- current pensioner age 65	20.9 (24) years	21 (24.1) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

21 EFFECT OF PENSION SCHEME ON THE DEFICIT FOR THE YEAR

		2022 £	2021 £
Deficit per accounts		(395,377)	(334,604)
PENSION SCHEME INCLUDED IN THE INCOME & EXPENSE ACCOUNT			
Pension adjustment	6	1,195,000	811,000
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
Employers Pension contributions eliminated as a result of Pension scheme		(565,000)	(476,000)
ADJUSTED SURPLUS		<u>443,623</u>	<u>180,396</u>
Transfer from / (to) designated reserves		-	-
		<u><u>443,623</u></u>	<u><u>180,396</u></u>

22 GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,270,270. The primary reason for the Association having negative reserves is the long term pension deficit of £8,277,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Association pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the Association has reserves of £4,006,730. This gives the Chief Executive confidence that the Association can continue as a going concern for the foreseeable future.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Ground Floor, Cardigan House,
Castle Court, Swansea Enterprise Park,
Swansea
SA7 9LA

WELSH LOCAL GOVERNMENT ASSOCIATION

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**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS

The WLGA is rooted in the belief that public services should be delivered through a democratic framework of local accountability and the conviction that local government is best placed to make decisions about how local services are organised, delivered and managed. Never has this been more evident than during the recent period of unprecedented global crises.

The WLGA's work during 2021-22 has been dominated by the demands of extraordinary international crises. Covid-19 has again overshadowed the work of the WLGA for most of 2020-21 as it has for the since its emergence in early 2020. Even though vaccines have helped to ease the pandemic, the pressure on council services and the work of the WLGA has continued. At the same time, the war in Ukraine and the ensuing global economic crisis has presented enormous challenges and the economic and financial impact of Brexit continues to be felt.

The pandemic has demonstrated the importance of local democracy and local delivery experience and operational expertise. Councils have demonstrated that they are uniquely placed at the heart of their communities and public service delivery and are invariably the first port of call for the most vulnerable or those in need of support or assurance.

Councils have demonstrated flexibility, innovation, resilience and responsiveness and the crisis demonstrated councils' ability to respond irrespective of scale and reaffirmed the WLGA's stance on the importance of subsidiarity and localism, with elected members and officers rooted in their local communities.

Throughout the pandemic, the WLGA has sought to provide an interface between leaders and cabinet members and Ministers, sharing information and intelligence, providing a sounding board for approaches and escalating local issues of concern.

Negotiating the local government revenue and capital settlements continue to be a big part of the WLGA's work. During the past year, we undertook powerful and consistent evidence-based lobbying to show the value of local services. This contributed to one of the best settlements since devolution, with an increase in RSG of £438m or 9.4%. Core funding for local government topped £5 billion for the first time ever and is £1 billion higher, in cash terms, than the 2017-18 baseline at start of the term.

With persistent lobbying by the WLGA, the Welsh Government has produced a multiyear settlement providing indicative allocations of an additional £177m (3.5%) in 2023-24 and £128m (2.4%) in 2024-25. This will take core funding to £5.4 billion in 2024-25, some £1.3 billion higher than it was at the start of this term.

For the first time in nearly 10 years, the settlement outcomes in both 2020-21 and 2021-22 significantly addressed the evidenced cost pressures set out to the Finance Sub-Group. The 2021-22 settlement has also been topped up with an additional £60m and with the help of Treasurers, Leaders made a strong case for a £50m fund to address winter pressures and social care overspends.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT)

The operation of the hardship fund in Wales differed from elsewhere in the UK and during 2020-21, in the first full year of the pandemic, led to an additional £400m being made available for pressures and £190m for lost income. The available budget for 2021-22 was £368m. As a claims-based scheme, the fund ensured that funding went to those authorities in most in need. The scheme provided funding for income lost and additional pressures and grew from an initial £30m fund in response to requests from WLGA leaders.

In addition to the hardship fund, the Welsh Government has provided just over £53m in support of the pressures councils have faced over the past two years due to reduced council tax collection rates and larger numbers of Council Tax Reduction Scheme (CTRS) claimants. The funding has come with maximum flexibility.

The WLGA has worked closely with the Welsh Government and a wide range of other partners throughout the Covid-19 and Ukraine crises and the scale and scope of political engagement between local and central government in Wales has been a key feature of recent years. The WLGA helped create a relationship of partnership and mutual respect with the Welsh Government during the Covid period and this has been sustained through the Ukraine and cost of living crises.

Engagement with Ministers and the Welsh Government has been intense but proportionate and almost always productive and constructive. Local Government and Finance Minister Rebecca Evans continued to meet local government leaders frequently on a regular basis and facilitated opportunities for other ministers to join those meetings as appropriate, and when required. This innovative development was quickly recognised as a successful and central feature of the response phase. In addition, the WLGA Leader was invited to join Welsh Government Cabinet meetings as and when appropriate.

Regular engagement with ministers in health and social care, education, and the economy, has also been a feature of the last year. Increasing demand for services, across both Adults and Children's Services, with increased complexity of cases and support packages required, along with workforce challenges and funding levels that have not kept pace with demand, all these issues have been key challenges facing social care services over the past term and key areas of activity for the WLGA.

The Covid-19 pandemic, while hugely challenging for social care staff and those in receipt of services, truly demonstrated the real value and worth of social care and increased public understanding of the roles social care undertake in supporting vulnerable people. Ensuring staff were protected with the necessary PPE, advising on testing regimes for the workforce and residential care residents, developing and supporting implementation of the shielding scheme and inputting to the development of policy and guidance were areas of work WLGA engaged with during this time, supporting the workforce to undertake their roles safely.

Brexit remained a feature of the WLGA's work during 2021-22. An extensive £1.2m support programme was secured by WLGA to help local authorities to prepare for the UK's momentous exit from the EU. We worked intensively with UK Government, Welsh Government, and regional partnerships on replacement EU funding to maximise potential of the Shared Prosperity Fund in Wales and avoid gaps in provision.

The WLGA's partnership with the Welsh Government to deliver sector-led improvement support continued to flourish during the year as did the work of the Digital Team.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT)

The WLGA's structure and work programme reflect these changing and uncertain times. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities. The WLGA has however reinitiated the implementation of organisational changes that were begun before the pandemic, which sought to reform and refresh the organisation in preparedness for the establishment of the new Association for the new municipal term from May 2022.

The WLGA continued reviewing organisational and HR policies and new WLGA branding was introduced in 2021-22 in advance of a new website to support our communications and public affairs activities.

In late 2021, the WLGA moved to new, modern offices at One Canal Parade co-locating with public service partners. The new office promotes and supports a culture of collaboration and agile working and will deliver annual savings and a significantly reduced carbon footprint, incorporating recycled furniture through local suppliers and community-owned enterprises.

We have adopted new ways of working, reflecting the approaches of councils by moving to remote and recently hybrid working. Working with partner authorities, we promoted and pioneered the approach to bilingual online meetings, including transition from Teams to Zoom and we are currently working with Microsoft in the development of simultaneous interpretation via Teams.

Leaders and wider members became more engaged in and led WLGA business, with more regular leaders' meetings, the establishment of regular Group Leaders' meetings to discuss emerging issues or forthcoming business, and the increased involvement of Deputy Spokespersons in regular bilateral dialogue with Ministers as well as regular cabinet member meetings to extend the engagement.

We have continued to engage with wider elected members, through a range of regular cabinet member networks, training and development sessions, good practice seminars.

PRINCIPAL RISKS AND UNCERTAINTIES

The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.

During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.

The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

PRINCIPAL RISKS AND UNCERTAINTIES (cont)

The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru

We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

FINANCIAL REVIEW OF THE YEAR

The WLGA collects subscriptions from its members. In 2021-22 subscriptions were increased by 1.4% to £2.139m. Overall subscriptions amount to £2.379m when the LGA share of the subscription is added. Since 2009-10, subscription income has fallen by 23%, or just under a quarter, in real terms.

The Association also receives grant income from the Welsh Government and other bodies for specific activities supporting council functions. In 2021-22 the Association's grant income increased by £4.5m in comparison with the previous financial year, taking the total to an historic high of £33.6m. Apart from the RSG top slices, income comes from nearly 30 different grant schemes. Some of the largest such as the £10m Independent Living Grant are passported straight to councils. Full details of Welsh Government and other grants can be found on page 21.

In 2021-22, the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show, LGA Employment services, and a number of national social care functions that are set out on page 21.

The Group shows a deficit of £792,972 for 2021-22 compared to a deficit of £533,687 in previous reporting period. This is due to a higher than anticipated overspend in 21-22 and the accounting treatment of the pensions. A breakdown is shown on page 34.

GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,644,570. The primary reason for the Group having negative reserves is the long-term pension liability of £9,567,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. As noted in the previous section, we expect to see the results of the LGPS triennial revaluation later this year which may impact on expenditure if a decision is made to increase employer contributions.

Excluding the pension deficit, the Group has reserves of £4,922,430 equivalent to the net current assets of the Group. We will work up a reserves policy for approval by the Audit Committee, that will set a target for reserves of between 80% to 100% of net income. This will be subject to the view of the Audit Committee.

In conclusion, even though the financial position shows a negative reserve position at the year end, the Chief Executive is confident that the Group can continue as a going concern for the foreseeable future.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his report with the financial statements of the Consolidated accounts for the year ended 31 March 2022.

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable him to ensure that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WELSH LOCAL GOVERNMENT ASSOCIATION

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2022 contain a full record of the financial results for the year.

AUDITORS

The report of the auditors is attached to this financial report.

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

.....
DATE

4TH FLOOR ONE CANAL PARADE,
DUMBALLS ROAD,
CARDIFF
CF10 5BF

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Opinion

We have audited the consolidated financial statements of Welsh Local Government Association (parent organisation) and its subsidiary (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Charity Income Statement, Consolidated Statement of Financial Position, Chairty Statement of Financial Position, Statement of Changes in Equity, Consolidated Statement of cashflow and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Parent & the Group's affairs as at 31 March 2022 and of its surplus/(deficit) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of sections 28,32 and 36 of the Trade Union and Labour Relations (Consolidation) Act 1992; and
- have been prepared in accordance with the requirements of the Association.

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to note 23 in the financial statements, which indicates that the group is insolvent with negative reserves of £4,644,570. This is primarily due to the long term pension scheme deficit of £9,567,000 in which the group participates. This deficit is an estimate of the expected shortfall of assets over liabilities in the pension scheme and as such the liability is not expected to crystallise in the short term. This indicates that a material uncertainty exists that may cast significant doubt on the group's long term ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information in the Report of the Chief Executive, but does not include the financial statements and our Report of the Auditors thereon.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Chief Executive.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Chief Executive's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of director

As explained more fully in the Statement of Chief Executive's Responsibilities set out on page 4, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Organisation's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Organisation. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date:

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Grant Income	3	33,881,152	29,460,017
Other Income	4	633,892	730,520
		<u>36,894,231</u>	<u>32,537,555</u>
EXPENDITURE			
Staff Costs	5	5,205,085	4,876,854
Pension charge	6	1,705,000	1,101,000
Office Accommodation	7	461,304	573,852
Office Services	8	338,087	147,927
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	1,714,319	1,693,228
Welsh Government Other Grant Costs	11	27,132,008	23,595,619
Other Expenses	12	788,210	843,297
Depreciation	13	66,452	11,523
		<u>37,440,898</u>	<u>32,875,467</u>
OTHER FINANCE INCOME/COSTS - PENSION LIABILITY			
Expected return on pension scheme assets		(689,000)	(526,000)
Interest on pension scheme liabilities		938,000	726,000
		<u>37,689,898</u>	<u>33,075,467</u>
OPERATING (DEFICIT) FOR THE YEAR		(795,667)	(537,912)
Interest Receivable		2,695	4,225
(DEFICIT) ON ORDINARY ACTIVITIES	22	(792,972)	(533,687)
Transfers to/(from) Designated reserves	16	-	-
(DEFICIT) AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		<u>(792,972)</u>	<u>(533,687)</u>

A note reconciling the movement of the deficit as a result of the pension liability adjustment can be found on page 34, note 22.

None of the Association's activities were acquired or discontinued during either of the above two years.

The notes on pages 17 - 34 form part of these financial statements.

WELSH LOCAL GOVERNMENT ASSOCIATION
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Project Income	3	33,557,833	29,090,807
Other Income	4	546,246	645,520
		<u>36,483,266</u>	<u>32,083,345</u>
EXPENDITURE			
Staff Costs	5	4,222,381	3,852,791
Pension scheme charge	6	1,195,000	811,000
Office Accommodation	7	466,359	572,318
Office Services	8	310,530	138,027
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	2,152,874	2,115,728
Welsh Government Other Grant Costs	11	27,563,009	23,971,490
Other Expenses	12	681,752	748,653
Depreciation	13	50,000	
		<u>36,672,338</u>	<u>32,242,174</u>
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
		<u>36,881,338</u>	<u>32,422,174</u>
OPERATING DEFICIT FOR THE YEAR		(398,072)	(338,829)
Interest Receivable		2,695	4,225
DEFICIT ON ORDINARY ACTIVITIES	22	(395,377)	(334,604)
Transfers to/(from) Designated reserves	16	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		(395,377)	(334,604)

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 34, note 22.

None of the Association's activities was acquired or discontinued during either of the above two years.

The notes on pages 17 - 34 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2022**

	2022	2021
	£	£
WELSH LOCAL GOVERNMENT ASSOCIATION		
Group deficit for the financial year	(792,972)	(533,687)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	1,999,000	4,859,000
Remeasurements on liabilities	1,735,000	(7,409,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>3,734,000</u>	<u>(2,550,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>2,941,028</u></u>	<u><u>(3,083,687)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

		GROUP		Association	
	Notes	2022 £	2021 £	2022 £	2021 £
FIXED ASSETS					
Tangible assets	13	474,388	15,447	450,000	-
CURRENT ASSETS					
Debtors	14	5,732,682	10,026,128	5,676,665	10,001,345
Cash at Bank and in hand		<u>10,703,906</u>	<u>12,021,132</u>	<u>9,774,711</u>	<u>10,857,897</u>
		16,436,588	22,047,260	15,451,376	20,859,242
CURRENT LIABILITIES	15	<u>11,988,546</u>	<u>17,586,305</u>	<u>11,894,646</u>	<u>17,296,135</u>
NET ASSETS EXCLUDING PENSION LIABILITY		4,922,430	4,476,402	4,006,730	3,563,107
PENSION LIABILITY	21	(9,567,000)	(12,062,000)	(8,277,000)	(10,262,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,644,570)</u>	<u>(7,585,598)</u>	<u>(4,270,270)</u>	<u>(6,698,893)</u>
FINANCED BY:					
Reserves	16	(4,644,570)	(7,585,598)	(4,270,270)	(6,698,893)
		<u>(4,644,570)</u>	<u>(7,585,598)</u>	<u>(4,270,270)</u>	<u>(6,698,893)</u>

The consolidated balance sheet includes the results of the Welsh Local Government Association and its subsidiary company - Local Government Data Unit - Wales.

Approved by the Association and signed on its behalf on

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PRESIDING OFFICER - CLLR HUW DAVID

The notes on pages 17 - 34 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Retained earnings £	Total equity £
Balance as 1 April 2020	(4,501,910)	(4,501,910)
Changes in Equity		
Total comprehensive income	<u>(3,083,687)</u>	<u>(3,083,687)</u>
Balance at 31 March 2021	<u><u>(7,585,597)</u></u>	<u><u>(7,585,597)</u></u>
Changes in Equity		
Total comprehensive income	<u>2,941,028</u>	<u>2,941,028</u>
Balance at 31 March 2022	<u><u>(4,644,570)</u></u>	<u><u>(4,644,570)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
	1	<u>(794,528)</u>	<u>5,608,664</u>
Net cash from operating activities		<u>(794,528)</u>	<u>5,608,664</u>
Cash flows from investing activities			
Interest received		2,695	4,225
Purchase of tangible fixed assets		<u>(525,393)</u>	<u>(10,208)</u>
		(522,698)	(5,983)
Net cash from investing activities		<u>(1,317,226)</u>	<u>5,602,681</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>12,021,132</u>	<u>6,418,451</u>
Cash and cash equivalents at end of year	2	<u><u>10,703,906</u></u>	<u><u>12,021,132</u></u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

1 RECONCILIATION OF OPERATING (DEFICIT) TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Operating (Deficit) for the year	(795,667)	(537,912)
Depreciation	66,452	11,523
Pension adjustment	1,705,000	1,101,000
Pension contributions paid	(715,000)	(536,000)
Other finance income/costs	249,000	200,000
	<u>509,785</u>	<u>238,611</u>
(Increase) / Decrease in debtors	4,293,446	(8,419,028)
Increase/ (Decrease) in creditors	(5,597,759)	13,789,081
Cash generated from operations	<u><u>(794,528)</u></u>	<u><u>5,608,664</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022	31.03.22	01.04.21
	£	£
Cash and cash equivalents	<u>10,703,906</u>	<u>12,021,132</u>
 Year ended 31 March 2021	 31.03.21	 01.04.20
	£	£
Cash and cash equivalents	<u>12,021,132</u>	<u>6,418,451</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company.

Group financial statements

The financial statements consolidate the results of the Association and its wholly owned subsidiary company, Local Government Data Unit - Wales. The trading results of the subsidiary undertakings are consolidated on a line by line basis within the consolidated statement of financial activities.

Turnover/Income

All income is included in the income and expenditure account when the Association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates;

Grant income, where related to performance and specific deliverables, are accounted for as the Association earns the right to consideration by its performance;

Secondment recharges relate to income received for employees seconded to other organisations during the period.

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

Fixed Assets

The association has capitalised improvements made on the leasehold property during the year. Depreciation has been calculated on a straight line basis over the term of leasehold.

The Association does not capitalise computer equipment but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £3,788 (2021 £6,425).

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Cash at Bank and in Hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2021/22.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3	WELSH GOVERNMENT AND OTHER PROJECT INCOME	Group		Association	
		2022	2021	2022	2021
		£	£	£	£
	RSG Top Slice Retained	968,618	923,600	968,618	923,600
	RSG Top Slice: National Eisteddfod	356,900	349,900	356,900	349,900
	RSG Top Slice: Urdd Eisteddfod	142,200	139,400	142,200	139,400
	RSG Top Slice: Royal Welsh Show	81,800	80,200	81,800	80,200
	RSG Top Slice: Data Cymru	438,555	422,500	438,555	422,500
	RSG Top Slice: National Adoption Service	473,000	459,200	473,000	459,200
	RSG Top Slice: Looked after Children	400,000	460,000	400,000	460,000
	RSG Top Slice: LGA Workforce support	200,000	200,000	200,000	200,000
	RSG Top Slice: Reflect Project Newport	60,000	-	60,000	-
	RSG Top Slice: Food in Schools	199,989	170,607	199,989	170,607
	National Exercise Referral Scheme	165,367	154,920	165,367	154,920
	Waste Improvement	339,781	320,760	339,781	320,760
	National Autism Team	632,123	599,117	632,123	599,117
	Education Training Standards Wales	83,145	42,328	83,145	42,328
	Supporting Service Children in Wales	370,807	286,830	370,807	286,830
	Data Unit Specific Project Income	323,319	369,210	-	-
	Regional Skills Partnership	806,683	526,497	806,683	526,497
	Armed Forces Free Swimming	28,716	6,465	28,716	6,465
	Resilience and Safety	135,720	94,348	135,720	94,348
	Unaccompanied Asylum Seeking Children	390,411	10,134	390,411	10,134
	Horizon 2020	21,376	58,288	21,376	58,288
	Combined Education Grant	8,987,779	1,021,690	8,987,779	1,021,690
	Local Authority Social Services	42,000	143,000	42,000	143,000
	National Commissioning Board	187,587	155,544	187,587	155,544
	Food and Fun	2,610,535	105,759	2,610,535	105,759
	Wales Strategic Migration Partnership	259,158	238,161	259,158	238,161
	EU Transition Funding	1,119,400	1,244,311	1,119,400	1,244,311
	Unadopted Roads Project	79,918	24,302	79,918	24,302
	Life Long Learning Grant	68,720	204	68,720	204
	Safer Communities project	-	39,754	-	39,754
	Taxi Licencing Project	75,000	78,445	75,000	78,445
	EU Transition Food Provision	-	2,000,000	-	2,000,000
	EU Settled Status	-	-	-	-
	Homelessness EUTF	-	151,305	-	151,305
	Armed Forces Covenant	-	11,637	-	11,637
	Armed Forces Liaison Officer	299,000	250,000	299,000	250,000
	NRW Green Recovery	-	4,201,955	-	4,201,955
	Decarb support programme	117,014	6,600,000	117,014	6,600,000
	Digital team	992,375	262,740	992,375	262,740
	Improvement Support Programme	519,608	149,222	519,608	149,222
	Education Support Covid-19	16,992	7,013,172	16,992	7,013,172
	All Wales SCN	233,343	94,512	233,343	94,512
	Household Support	1,500,000	-	1,500,000	-
	Independent Living	10,000,000	-	10,000,000	-
	Food in Schools	154,213	-	154,213	-
		33,881,152	29,460,017	33,557,833	29,090,807

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

4 OTHER INCOME	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Conference Fees, Charges and Training Events	450	2,083	450	2,083
Policy	13,128	51,808	13,128	51,808
ADEW Support Officer	40,000	40,000	40,000	40,000
Directors of Public Protection	91,640	77,718	91,640	77,718
Principal Youth Officers Group	-	9,439	-	9,439
SWT Policy Officer	30,000	-	30,000	-
Rental income	4,000	3,500	44,000	43,500
Data Unit other income	127,646	125,000	-	-
Secondment costs	327,028	420,972	327,028	420,972
	<u>633,892</u>	<u>730,520</u>	<u>546,246</u>	<u>645,520</u>

5 STAFF COSTS

	Group		Association	
	2022	2021	2022	2021
Average monthly number of employees	<u>107</u>	<u>95</u>	<u>83</u>	<u>70</u>

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Total staff costs were as follows:				
Salaries (including redundancy costs)	4,627,245	4,386,121	3,748,586	3,471,027
Employers National Insurance	463,369	431,254	369,903	335,765
Training	87,248	8,522	84,542	6,711
Travel and Subsistence	6,534	12,151	6,030	7,965
Recruitment and Advertising	20,689	38,806	13,320	31,323
	<u>5,205,085</u>	<u>4,876,854</u>	<u>4,222,381</u>	<u>3,852,791</u>

Included in the above staff costs are early retirement costs of £29,012 (2021 £15,518) and redundancy/serverance costs of £64,822 (2021: NIL)

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £154,099 (2021 - £168,116), which can be analysed as follows:-

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

5 STAFF COSTS - Cont.	2022	2021
	£	£
Gross Salary	118,126	128,865
Employer's National Insurance	15,183	16,571
Employer's Superannuation	20,790	22,680
	<u>154,099</u>	<u>168,116</u>

6 PENSION SCHEME INCOME & EXPENDITURE CHARGE	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Current service cost	1,567,000	1,087,000	1,157,000	797,000
Past service costs	122,000	-	22,000	-
Curtailments	-	-	-	-
Administration expenses	16,000	14,000	16,000	14,000
	<u>1,705,000</u>	<u>1,101,000</u>	<u>1,195,000</u>	<u>811,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2022, the Association occupied 4th Floor, One Canal Parade, Dumballs Road, Cardiff under a tenancy agreement from Cardiff and Vale College Further Education Corporation of Colcot Road, Barry. The rent payable is £141,375 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 OFFICE SERVICES

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £12,613 (2021 - £13,320). Also included are amounts relating to non audit fees of £5,595 (2021 - £4,000).

9 MEMBERS' SERVICES

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Executive Board and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 RSG TOP SLICE COSTS	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
RSG Top Slice: National Eisteddfod	356,900	349,900	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400	142,200	139,400
RSG Top Slice: Royal Welsh Show	81,800	80,200	81,800	80,200
RSG Top Slice: Local Government Data Unit	-	-	438,555	422,500
RSG Top Slice: National Adoption Service	473,419	463,728	473,419	463,728
RSG Top Slice: Looked after children	460,000	460,000	460,000	460,000
RSG Top Slice: LGA	200,000	200,000	200,000	200,000
	<u>1,714,319</u>	<u>1,693,228</u>	<u>2,152,874</u>	<u>2,115,728</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11 WELSH GOVERNMENT OTHER PROJECT COSTS (EXCLUDING EMPLOYEE COSTS)

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Waste Improvement	43,186	28,299	55,251	38,299
National Exercise Referral Scheme	34,664	27,373	41,464	27,373
National Autism Team	170,580	121,498	188,580	139,498
Education Training Standards Wales	61,505	23,370	61,505	23,370
Supporting Service Children in Education	304,495	219,566	304,495	219,566
Regional Skills Partnership	736,334	476,647	806,683	526,497
Armed Forces Free Swimming	28,716	6,465	28,716	6,465
Resilience and Safety	69,377	21,622	69,377	26,872
Food and Fun	2,504,969	2,275	2,507,719	2,275
Unaccompanied Asylum Seeking Children	390,411	10,134	390,411	10,134
Wales Strategic Migration Partnership	6,783	4,330	22,683	17,280
Local Authority Social Services	-	42,004	42,000	175,004
National Commissioning Board	27,711	14,921	27,711	34,122
Armed Forces Covenant	-	637	-	637
Combined Education Grant	8,967,779	1,006,690	8,987,779	1,026,690
Life long learning grant	1,720	204	1,720	204
Unadopted Roads Project	31,464	4,062	31,464	4,062
EU Transition funding	1,053,683	1,145,113	1,053,683	1,145,113
EU Transition Food Provision	-	2,000,000	-	2,000,000
Homelessness EUTF	-	151,305	-	151,305
Armed Forces Liaison Officer	299,000	250,000	299,000	250,000
Food in Schools	219,638	57,832	219,638	69,102
Safer Communities project	-	663	-	663
Horizon 2020	3,598	1,191	3,598	1,191
Taxi Licence Project	883	866	883	866
NRW Green Recovery	-	4,201,955	-	4,201,955
Decarb support programme	76,576	6,600,000	76,576	6,600,000
Digital Team	408,767	111,613	448,593	111,613
Improvement Support Programme	133,474	77,705	336,785	145,755
Education Support Covid-19	16,992	6,953,220	16,992	6,981,520
All Wales SCN	39,703	34,059	39,703	34,059
Household Support	1,500,000	-	1,500,000	-
Independent Living	10,000,000	-	10,000,000	-
	<u>27,132,008</u>	<u>23,595,619</u>	<u>27,563,009</u>	<u>23,971,490</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12 OTHER EXPENSES	Group		Association	
	2022 £	2021 £	2022 £	2021 £
ICT	131,171	83,632	27,967	83,632
Website expenses	-	19	3,500	3,519
Research	-	2,250	-	2,250
Translation costs	13,041	24,584	13,041	24,584
Local Government Data Unit	-	-	70,000	70,000
Professional and Consultancy fees	126,963	150,170	126,593	150,170
Conferences & events	150	-	150	-
Local Government Association	239,720	235,020	239,720	235,020
Directors of Public Protection	91,865	97,492	91,865	97,492
Principal Youth Officers Group	412	64	5,412	64
Miscellaneous expenses	32,910	9,259	30,264	9,259
Project costs	151,978	240,807	73,240	72,663
	<u>788,210</u>	<u>843,297</u>	<u>681,752</u>	<u>748,653</u>

13 FIXED ASSETS	(ASSOCIATION)		(GROUP)	
	Leasehold Property Improvements	Leasehold Property Improvements	Office & Computer Equipment	Total £
At 1 April 2021	-	-	135,091	135,091
Additions	500,000	500,000	25,393	525,393
Disposals	-	-	-	-
At 31 March 2022	<u>500,000</u>	<u>500,000</u>	<u>160,484</u>	<u>660,484</u>
DEPRECIATION	-	-	-	-
At 1 April 2021	-	-	119,644	119,644
Charge for Year	50,000	50,000	16,452	66,452
Elimated on disposal	-	-	-	-
At 31 March 2022	<u>50,000</u>	<u>50,000</u>	<u>136,096</u>	<u>186,096</u>
NET BOOK VALUE				
At 31 March 2022	<u>450,000</u>	<u>450,000</u>	<u>24,388</u>	<u>474,388</u>
At 31 March 2021	<u>-</u>	<u>-</u>	<u>15,447</u>	<u>15,447</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14 DEBTORS	Group		Association	
	2022 £	2021 £	2022 £	2021 £
Trade Debtors	362,704	230,936	228,029	172,134
Grant Debtors	5,211,230	9,675,167	5,211,230	9,625,167
Sundry Debtors	1,095	62,290	1,095	62,290
VAT	157,653	57,735	236,311	141,754
	<u>5,732,682</u>	<u>10,026,128</u>	<u>5,676,665</u>	<u>10,001,345</u>

15 CREDITORS	Group		Association	
	2022 £	2021 £	2022 £	2021 £
Trade Creditors	5,844,077	5,136,630	6,051,426	5,113,340
Accruals	2,458,538	9,562,846	2,418,455	9,539,411
Deferred Income	3,685,931	2,886,829	3,424,765	2,643,384
Amounts owed to group undertakings	-	-	-	-
	<u>11,988,546</u>	<u>17,586,305</u>	<u>11,894,646</u>	<u>17,296,135</u>

Included within creditors due within one year are amounts due to the following subsidiaries:-

	2022 £	2021 £	2022 £	2021 £
Local Government Data Unit - Wales (Data Cymru)	-	-	225,626	-
	<u>-</u>	<u>-</u>	<u>225,626</u>	<u>-</u>

16 RESERVES - GROUP	General £	Designated £	Total £
Balance brought forward	(8,560,243)	974,645	(7,585,598)
Deficit for the year	(792,972)	-	(792,972)
Remeasurement (liabilities & assets)	3,734,000	-	3,734,000
Transfer between reserves	-	-	-
At 31 March 2022	<u>(5,619,215)</u>	<u>974,645</u>	<u>(4,644,570)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

16 RESERVES - Association	General £	Designated £	Total £
Balance brought forward	(6,698,893)	-	(6,698,893)
Deficit for the year	(395,377)	-	(395,377)
Remeasurement (liabilities & assets)	2,824,000	-	2,824,000
Transfer between reserves	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2022	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>

17 OPERATING LEASE AND FINANCIAL COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2022 £	2021 £
Land and Buildings		
Within one year	-	-
Between one and five years	565,500	424,125
More than five years	848,250	989,625
	<u>1,413,750</u>	<u>1,413,750</u>

The Group has entered into a financial commitment with Cardiff County Council to pay £83,574 for Information and Communication Technology services up to 31 March 2023.

18 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

19 SUBSIDIARIES

The following was a subsidiary of the parent company Welsh Local Government Association at 31 March 2022;

Local Government Data Unit - Wales

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME - ASSOCIATION

Balance sheet items	2022 £000s	2021 £000s
Market Value of Assets	28,683	25,973
Liabilities	36,960	36,235
(Deficit)	<u>(8,277)</u>	<u>(10,262)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2022		Assets at 31 March 2021	
	£000s	%	£000s	%
Equities	14,256	49.7	13,272	51.1
Government Bonds	2,696	9.4	338	1.3
Other Bonds	975	3.4	2,987	11.5
Property	2,754	9.6	2,338	9.01
Cash/Liquidity	602	2.1	571	2.2
Other	7,400	25.8	6,467	24.9
	<u>28,683</u>		<u>25,973</u>	

	2022 £000s	2021 £000s
Movement in Deficit		
(Deficit) at beginning of year	(10,262)	(7,707)
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Employer Contributions	565	476
Net interest on pension liabilities	(209)	(180)
Administration expense	(16)	(14)
Effects of curtailments	-	-
Remeasurements on liabilities & assets	2,824	(2,040)
(Deficit) at End of Year	<u>(8,277)</u>	<u>(10,262)</u>

	2022 £000s	2021 £000s
Analysis of Pension Scheme Adjustment		
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Curtailments	-	-
Employer Contributions	565	476
Net Interest/Return on Assets	(209)	(180)
Administration expense	(16)	(14)
Net Profit / (Loss)	<u>(839)</u>	<u>(515)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME (CONT.) - ASSOCIATION

Analysis of Net Interest/Return on Assets	2022 £000s	2021 £000s
Interest on plan assets	549	526
Interest on Pensionable Liabilities	(758)	(706)
Net Profit / (Loss)	<u>(209)</u>	<u>(180)</u>

Main Assumptions (cont.)

Financial:	2022	2021
CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Discount rate	2.8%	2.1%

Split of assets between investment categories:

Equities	49.7%	51.1%
Government Bonds	9.4%	1.3%
Other Bonds	3.4%	11.5%
Property	9.6%	9.0%
Cash/Liquidity	2.1%	2.2%
Other	25.8%	24.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20 PENSION SCHEME (CONT.) - ASSOCIATION

	2022	2021
Post retirement mortality assumptions		
Non-retired members	S3PA CMI_2018_(1.75%) (131% males,106% females)	S3PA CMI_2018_(1.75%) (131% males,106% females)
Retired members	S3PA CMI_2018_(1.75%) (124% males,104% females)	S3PA CMI_2018_(1.75%) (124% males,104% females)
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.4 (25.9) years	22.6 (26) years
- current pensioner age 65	20.9 (24) years	21 (24.1) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

21 PENSION SCHEME - SUBSIDIARY

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taf County Borough Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires Local Government Data Unit and its employees to pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Contributions for the accounting period ending 31 March 2022

The Employer's regular contributions to the Fund for the accounting period 31 March 2022 are estimated to be £0.15M. In addition, Strain on Fund Contributions may be required.

Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Assumptions

The latest actuarial valuation of Local Government Data Unit's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Present value of funded obligations	(8,170,000)	(8,400,000)
Fair value of plan assets	6,880,000	6,600,000
Present value of unfunded obligations	(1,290,000)	(1,800,000)
Deficit	(1,290,000)	(1,800,000)
Net liability	(1,290,000)	(1,800,000)

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

21 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in surplus are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Current service cost	410,000	290,000
Financing		
Interest on net defined benefit liability	180,000	140,000
Total expense in the Income & Expenditure account	<u>590,000</u>	<u>430,000</u>
Actual return on plan assets	<u>-</u>	<u>-</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Opening defined benefit obligation	8,110,000	6,080,000
Current service cost		
Contributions by scheme participants	-	-
Interest cost	180,000	140,000
Actuarial losses/(gains)	(790,000)	1,970,000
Benefits paid	(250,000)	(80,000)
	<u>7,250,000</u>	<u>8,110,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Opening fair value of scheme assets	6,600,000	5,040,000
Contributions by employer	150,000	60,000
Interest income on assets	140,000	120,000
Assesses other remeasurements	(120,000)	1,460,000
Benefits paid	(250,000)	(80,000)
	<u>6,520,000</u>	<u>6,600,000</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

21 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Assets other remeasurements	120,000	1,460,000

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2022	2021
Equities	67.40%	70.70%
Government bonds	12.00%	9.10%
Corporate bonds	12.90%	13.00%
Cash	0.40%	0.80%
Property	7.30%	6.40%
	100.00%	100.00%

Principal actuarial assumptions at the balance sheet date (% per annum)

	2022	2021
Discount rate	2.70%	2.10%
CPI Inflation	2.90%	2.60%
Pension increases	2.90%	2.60%
Pension accounts revaluation rate	2.90%	2.60%
Rate of general increase in salaries	4.15%	3.85%

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

22 EFFECT OF PENSION SCHEME ON THE SURPLUS FOR THE YEAR

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
(Deficit) per accounts	(792,972)	(533,687)	(395,377)	(334,604)

PENSION SCHEME INCLUDED IN THE INCOME AND EXPENSE ACCOUNT

Pension adjustment	6	1,705,000	1,101,000	1,195,000	811,000
Expected return on pension scheme assets		(689,000)	(526,000)	(549,000)	(526,000)
Interest on pension scheme liabilities		938,000	726,000	758,000	706,000

Employers Pension contributions eliminated as a result of pension scheme		(715,000)	(536,000)	(565,000)	(476,000)
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ADJUSTED SURPLUS (PRE PENSION SCHEME)		<u>446,028</u>	<u>231,313</u>	<u>443,623</u>	<u>180,396</u>
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Transfer from / (to) designated reserves		-	-	-	-
--	--	---	---	---	---

		<u><u>446,028</u></u>	<u><u>231,313</u></u>	<u><u>443,623</u></u>	<u><u>180,396</u></u>
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23 GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,644,570. The primary reason for the Group having negative reserves is the long term pension deficit of £9,567,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Group pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the Group has reserves of £4,922,430. This gives the Chief Executive confidence that the Group can continue as a going concern for the foreseeable future.

Audit Findings Report for the year ended 31st March 2022



WLGA • CLILC



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. The terms and conditions, under which our audit will be performed, including our roles and responsibilities and auditors, are set out in our letters of engagement. These have been issued separately.

However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This report highlights the key issues affecting the results of the association and the preparation of the financial statements for the year ended 31st March 2022. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK) 260.

We are required to report whether, in our opinion, the association's financial statements give a true and fair view of the financial position of the association and its income and expenditure for the year and whether they have been properly prepared in accordance with FRS 102.

Status of our audit	<p>We have completed all of our audit work.</p> <p>Matter outstanding:</p> <ul style="list-style-type: none"> - Board approval of financial statements - Signed letter of representation
Audit opinion	On the completion of the audit we expect to issue an unmodified opinion.
Materiality	Final materiality has been set at £730,000. A level of £36,500 has been set as our clearly trivial level.
Audit risks & other areas of focus	We have no significant items to highlight regarding significant audit risks and other areas of audit focus.
Accounting estimate and judgements	We have no issues to report in this area and considered the process of estimation to be appropriate and key assumptions to be well balanced for these items.
Internal controls	<p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, if we identify any control weaknesses, we report these.</p> <p>Our work has identified no control weakness which we wish to highlight for your attention.</p> <p>Our follow up to the interim audit and prior year recommendations has shown that 1 have been resolved and 3 are still ongoing.</p>

Adjusted misstatements	As a result of our audit work, we identified 5 misstatements that require adjustment by management.
Unadjusted misstatements	We have noted no errors above triviality level of £36,500 that require adjustment.
Independence	We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity in performing our duties as auditors.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the Martin and the finance team during our audit.

Audit approach

The auditing findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

As auditor we are responsible for performing the audit in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance their responsibilities for the preparation of the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In our audit plan presented to you in March 2022 we reported our planning materiality used in planning our overall audit strategy. In line with ISA (UK) 450, prior to the evaluation of uncorrected misstatements, we have considered whether it necessary to revise materiality.

As planning materiality was based on prior year accounts we have revisited our actual materiality to consider actual result for the period. Our audit work has been carried out using the revised materiality so has had no impact on our audit testing.

Area	Planning materiality	Final materiality
Overall	£360,000	£730,000

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have applied the de minimis level of 5% of overall materiality reported in our audit planning report to the final materiality.

Areas of significant risk

We raised a number of significant risks in our audit plan where we detailed work we would be carrying out as part of our audit procedures. We performed procedures during the audit to address each of these risks and ensure the financial statements are free from a material misstatement.

Risk	Overall Risk Factor	Work completed, issues & assurance gained
Revenue recognition <i>There is a presumption that revenue recognition is a significant risk on every audit engagement (ISA (UK) 240)</i>	High	<p>During the course of our audit work we have completed walk through tests on all significant income streams.</p> <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
Management Override of Controls <i>Management override of controls should be considered a risk on every engagement (ISA (UK&I) 240.74)</i>	High	<p>During the course of our audit we have undertaken the following procedures:</p> <ul style="list-style-type: none"> Considered indication of management bias in accounting estimates and their overall appropriateness; Reviewing journal entries and other adjustments made at the end of the accounting period; and <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
Treatment of Office Refurbishment Costs Deferred income may be materially misstated	Medium	<p>Expenditure of the leasehold property have been capitalised and depreciated appropriately during the year.</p> <p>There were no issues identified.</p>
Treatment of Rent Free Period Pension liability is a high risk area due to being a material balance	Medium	<p>The rent free amount has been considered against materiality and is not deemed material to adjust for.</p> <p>There were no issues identified.</p>
Treatment of Deferred Income	Medium	<p>We reviewed the deferred income calculations provided by the finance team and compared to the information in the grant offer letters for accuracy.</p> <p>There were no issues identified.</p>

Accounting estimates and judgements

Accounting estimates vary widely in nature and are required to be made by management when the monetary amounts cannot be directly observed. The measurement of these monetary amounts is subject to estimation uncertainty, which reflects inherent limitations in knowledge or data. The process of making accounting estimates involves selecting and applying a method using assumptions and data, which requires judgement by management and can give rise to complexity in measurement. We have outlined below a summary and how we assess the key accounting judgements applied by management.

Assessment

- We consider the estimate to potentially be materially misstated and disagree with judgements used to derive the estimate or estimation process
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be optimistic
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be cautious
- We consider the process of estimation to be appropriate and key assumptions to be well balanced

Key Estimate	2022 Value	2021 Value	Assessment	Explanation
Accruals	2,418,555	9,428,410	●	Accruals are based on actual invoices instead of estimations and 65% of 2022 value has been verified to invoices. Large variance on previous year due to £6m one off grant in prior year.
Pension Liability	8,277,000	10,646,000	●	Actuary report has been reviewed and there are no issues around the competence of the actuary producing the report.

As part of the requirements of ISA (UK) 540 we will require written representations whether the methods, significant assumptions and the data used in making the accounting estimates and the related party disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with applicable reporting framework and as such has been included on the draft letter of representation provided.

Internal Controls

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those deficiencies we have identified during the course of the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for year ended 31st March 2021.

The following control issues were identified during the audit. These control issues are categorised according to the level of risk attached:

- Red Significant weaknesses – risk of material misstatement
- Amber Significant deficiency – risk of significant misstatement
- Yellow Deficiency – risk of inconsequential misstatement

	Area of control	Issue and risk	Recommendations
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No new internal control weaknesses have been identified this year.

Follow up of prior year audit and interim audit recommendations

The following summarises the progress made to implement recommendations identified in our prior year audit findings reports and our interim audit for the current year.

	Number of recommendations that were:			
	Included in report	Implemented	Ongoing	Position to be confirmed at final audit
Final Audit Findings Report 2021	3	2	1	1
Interim Audit Findings Report 2022	2	1	1	1
Total	5	3	2	2

	Area of control	Issue and recommendation	Status as of final audit
●	Income being raised late	<p>It was highlighted from our audit work that some income was not invoiced until two months after the work had been done.</p> <p>This could result in missed income and a delay in receiving the money.</p> <p>The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis</p>	There were no issues with obtaining the information required for income testing during the current year audit.
●	Control of Raising Income	<p>It was highlighted from our audit work that some income was not invoiced until two months after the work had been done.</p> <p>This could result in missed income and a delay in receiving the money.</p> <p>The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis.</p>	There were no issues with obtaining the information required for income testing during the current year audit.
●	Grant claims going in late	<p>There are a couple of occasions where grant claims were submitted late, there could be a threat that the claims are rejected.</p> <p>The finance department should be made aware of all claims ongoing and when they are likely to claim, to ensure none are missed.</p>	Issue still ongoing at final audit

●	Personnel files not up to date	<p>There was one individual where the information held on the personnel file was out of date or missing.</p> <p>Personnel files should be reviewed and updated to include the most recent information.</p>	Issue still ongoing at final audit
●	Material reconciliation difference on the bank account at year end due to incorrect journal posting	<p>There is a material bank difference on the bank reconciliation reports due to a journal not being processed correctly. This is resulting in the bank balance being materially misstated at the year end.</p> <p>We recommend to amend the journal in order to rectify the bank balance.</p>	<p>Difference is in relation to a write off journal that requires amendment. To be amended prior to the year end.</p> <p>Adjustment not made post interim audit, adjustment has now been made during the final audit.</p> <p>Issue resolved.</p>

Adjusted misstatements

We are required to report all items above our trivial threshold to those charged with governance, whether or not the financial statements have been adjusted by management. Below is a summary of the adjustments made from the initial trial balance received to the financial statements along with the impact on the primary statements. All of these adjustments have been agreed with management before adjusting.

Adjustment			
	Dr £	Cr £	Description
1	1,985,000		Pension Deficit Movement
		565,000	Repost employers contributions
	1,195,000		Pension Charge
	290,000		Interest Charge
		2,824,000	Other Comprehensive Income
	3,389,000	3,389,000	Pension Adjustment
2	50,000		Leasehold Property Improvements Depreciation – P&L
		50,000	Leasehold Property Improvements Depreciation – Balance Sheet
	50,000	50,000	Leasehold Property Improvements Depreciation
3	3,500		Website Costs
	700		VAT
		4,200	Intercompany Creditor
	4,200	4,200	Missing Intercompany Invoice
4	117,890		Trade Debtors
		117,890	VAT Suspense
	117,890	117,890	Correct VAT Balance
5	474,154		Bank
	5,252,846		Reserves
		218,000	Accruals
		5,509,000	Pension Deficit
	5,727,000	5,727,000	Opening Balance Adjustments

Overall effect to the profit and loss is a decrease in profits of £973,500.

Unadjusted misstatements

Below is a summary of any unadjusted misstatements identified during the course of our audit except for those deemed trivial. In line with ISA (UK) 450 'Evaluation of misstatements identified during the audit' we will require a written representation confirming the reasoning for not making these adjustments.

Income Statement		Balance sheet		Description
Dr £	Cr £	Dr £	Cr £	

No errors above triviality level of £36,500 to disclose

Other Matters

Fraud

- We have previously discussed the risk of fraud in our planning report. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.

Laws & Regulations

- You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.

Related parties

- In forming an opinion on the financial statements, we are required to evaluate whether identified related party relationships and transactions have been appropriately accounted for and disclosed. We have no issues to report in this area.

Written representations

- A letter of representation has been requested from the board, including specific representations. This has been provided externally to this report.

Disclosures

- Our review found no material omissions in the financial statements

Accounting policies

- The accounting policies used to prepare the financial statements are considered to be appropriate and are in accordance with the relevant accounting standards.

Appendix 1 – Auditor independence and objectivity

Bevan Buckland LLP is required to maintain independence from Welsh Local Government Association in line with the Ethical Standard (2019) issued by the Financial Reporting Council (FRC) and the ethical pronouncements established by the auditor's relevant professional body, in our case the Institute of Chartered Accountants in England & Wales. In addition, our reputation and continued success as a firm depends on us maintaining auditor independence. We have procedures in place to ensure that any conflicts of interest of which we are aware are communicated to directors and appropriate action taken. This includes all relationships between Bevan Buckland LLP and Welsh Local Government Association that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity of the audit engagement partner and the audit staff.

However, there may be factors known by the board of which we are not aware. Our letter of engagement requires the board to notify us if it becomes aware that any person becomes connected with Bevan Buckland LLP and we will be asking the board to give us written representations that there are no such matters at the conclusion of the audit.

Maintaining and assessing our independence is a continual process throughout the audit cycle. However, we will formally confirm our independence and any significant matters we have considered in assessing any threats to our independence and objectivity in our Report to the board.

We have made enquires of all Bevan Buckland LLP teams providing services to you for compliance matters to ensure our independence is maintained.

In our judgement we have complied with the UK regulatory and professional requirements including the Ethical Standard (2019) issued by the FRC. We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity at the date of the audit plan. As a result we are able to express an objective opinion on the financial statements.

Safeguards

As part of the firms safeguards, all audits are subject to a review by a second partner or independent reviewing officer. The review undertook all high risk areas, significant judgements, financial statements, audit plan and audit findings reports.

The following other services are provided by Bevan Buckland LLP and the relevant safeguard applied is:

Non audit service - Preparation of accounts in statutory format

- Any adjustments required were approved by management first prior to updating the statutory accounts

Non audit service - Corporation tax services

- Seperate Bevan Buckland LLP employees undertook this service, that are not involved in the audit engagement team

Appendix 2 - Strategic, Financial & Governance Health Check

Strategic	Current year	Prior year
Association has stated strategic objectives in trustees report	●	●
Association reports progress against these objectives	●	●
Are the activities of the association in line with the association's objects?	●	●
Association has a long term strategy/plan?	●	●
Association produces an annual budget?	●	●
Association reports against budget/strategy?	●	●

Financial	Current year	Prior year
Unrestricted surplus	●	●
Net current assets	●	●
Positive "free reserves"	●	●
Reserves policy in place	●	●
Reserves level in line with policy	●	●
What level of reserves are required?	●	●
Association has budgets in place for at least 12 months	●	●
Documented financial controls?	●	●

Risk	Current year	Prior year
Risk register in place	●	●
Risk Register regularly reviewed	●	●
Have all appropriate risks been identified?	●	●
Appropriate actions taken in response to risks identified	●	●

Governance	Current year	Prior year
Have the board held sufficient meetings in the year?	●	●
Is the financial reporting to the board clear, transparent, readily understood by all board members at each meeting?	●	●
Have the board reviewed their internal controls recently?	●	●
Have the board carried out a skills audit?	●	●
Are minutes of all board meetings kept?	●	●
Do you have procedures in place to deal with conflicts of interest?	●	●

Bevan Buckland LLP





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“Your Local Financial Team”

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Bevan Buckland LLP
Ground Flood
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Dear Auditor

This representation letter is provided in connection with your audit of the financial statements of the association for the year ended 31 March 2022, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects, in accordance with applicable financial reporting framework.

We confirm that the following representations are made on the basis of enquiries of the executives, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you:

1. We have fulfilled our responsibilities as trustees under the Companies Act 2006 for preparing financial statements, in accordance with the applicable financial reporting framework.

We confirm that in our opinion the financial statements give a true and fair view and in particular that where any additional information must be disclosed in order to give a true and fair view that information has in fact been disclosed. We confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate, and we approve these accounts for the year ended 31 March 2022.

2. We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the association have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and board meetings, have been made available to you. We have given you unrestricted access to persons within the association in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
3. We acknowledge that it is a criminal offence to make a false statement in this regard, and where any director either makes a false statement; is aware that the statement is false; is reckless in preventing this statement; or fails to take reasonable steps to prevent the directors' report from being approved, we acknowledge that each director will be guilty of a criminal offence.
4. We confirm the association has satisfactory title to all assets and there are no liens or encumbrances on the assets, except for those disclosed in the financial statements.

5. We confirm that the methods, significant assumptions and data used by us in making accounting estimates, and the related disclosures, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

We confirm that we have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

We confirm that the association has no liabilities or contingent liabilities other than those disclosed in the financial statements.

6. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.
7. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.
8. We confirm that we are aware of the definition of a related party for the purpose of the accounting framework being applied in the preparation of the accounts.

We confirm that the related party relationships and transactions set out below are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.

<i>Party</i>	<i>Relationship</i>	<i>Nature of transaction</i>
Local Government Data Unit	Subsidiary	Various transactions as detailed further in the notes of the accounts

9. We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework.
10. We confirm that the association neither had, at any time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the charity) for executives, nor provided guarantees of any kind on behalf of the executives.

11. We confirm that the association has not contracted for any capital expenditure other than as disclosed in the financial statements.
12. We confirm that the association has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
13. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the association conducts its activities and which are central to the association's ability to conduct its activities.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the organisation.

There have been no deficiencies in internal control of which we are aware.

15. We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by employees, former employees, analysts, regulators or others.
16. We confirm that, in our opinion, the association's financial statements should be prepared on the going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the association's needs. In reaching this conclusion, we have taken into account all relevant matters of which we are aware, and have considered a period of at least one year from the date on which the financial statements will be approved.
17. We confirm that in our opinion the effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.
18. We confirm that all grants and other income, including those subject to special terms or conditions or received for restricted purposes, have been notified to you. There have been no breaches of terms or conditions during the period regarding the application of such income.
19. We confirm the following specific representations made to you during the course of your audit relating to
 - Income received in advance but unspent at 31 March 2022 amounted to £3,424,765
 - We agree with the assumptions used by the Actuary for the purposes of the pension liability

- We confirm that all grant debtors outstanding at the year end will be received and that no provision should be made against these and no amounts are repayable to funders

20. We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:

- so far as each director is aware, there is no relevant audit information of which you as auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that you are aware of that information.

21. We acknowledge that it is a criminal offence to knowingly or recklessly make you as an auditor, a statement (oral or written) that conveys, or purports to convey, information or explanations that you require in your capacity as auditor, or are entitled to require, that is misleading, false or deceptive in a material particular.

Yours faithfully,

.....

Signed on behalf of the board of trustees

Trustee.....

Date.....

WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Ground Floor, Cardigan House,
Castle Court, Swansea Enterprise Park,
Swansea
SA7 9LA

WELSH LOCAL GOVERNMENT ASSOCIATION

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**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his strategic report for the year ended 31 March 2022.

REVIEW OF BUSINESS

The WLGA is rooted in the belief that public services should be delivered through a democratic framework of local accountability and the conviction that local government is best placed to make decisions about how local services are organised, delivered and managed. Never has this been more evident than during the recent period of unprecedented global crises.

The WLGA's work during 2021-22 has been dominated by the demands of extraordinary international crises. Covid-19 has again overshadowed the work of the WLGA for most of 2021-22 as it has for the since its emergence in early 2020. Even though vaccines have helped to ease the pandemic, the pressure on council services and the work of the WLGA has continued. At the same time, the war in Ukraine and the ensuing global economic crisis has presented enormous challenges and the economic and financial impact of Brexit continues to be felt.

The pandemic has demonstrated the importance of local democracy and local delivery experience and operational expertise. Councils have demonstrated that they are uniquely placed at the heart of their communities and public service delivery and are invariably the first port of call for the most vulnerable or those in need of support or assurance.

Councils have demonstrated flexibility, innovation, resilience and responsiveness and the crisis demonstrated councils' ability to respond irrespective of scale and reaffirmed the WLGA's stance on the importance of subsidiarity and localism, with elected members and officers rooted in their local communities.

Throughout the pandemic, the WLGA has sought to provide an interface between leaders and cabinet members and Ministers, sharing information and intelligence, providing a sounding board for approaches and escalating local issues of concern.

Negotiating the local government revenue and capital settlements continue to be a big part of the WLGA's work. During the past year, we undertook powerful and consistent evidence-based lobbying to show the value of local services. This contributed to one of the best settlements since devolution, with an increase in RSG of £438m or 9.4%. Core funding for local government topped £5 billion for the first time ever and is £1 billion higher, in cash terms, than the 2017-18 baseline at start of the term.

With persistent lobbying by the WLGA, the Welsh Government has produced a multiyear settlement providing indicative allocations of an additional £177m (3.5%) in 2023-24 and £128m (2.4%) in 2024-25. This will take core funding to £5.4 billion in 2024-25, some £1.3 billion higher than it was at the start of this term.

For the first time in nearly 10 years, the settlement outcomes in both 2020-21 and 2021-22 significantly addressed the evidenced cost pressures set out to the Finance Sub-Group. The 2021-22 settlement has also been topped up with an additional £60m and with the help of Treasurers, Leaders made a strong case for a £50m fund to address winter pressures and social care overspends.

The operation of the hardship fund in Wales differed from elsewhere in the UK and during 2020-21, in the first full year of the pandemic, led to an additional £400m being made available for pressures and £190m for lost income. The available budget for 2021-22 was £368m. As a claims-based scheme, the fund ensured that funding went to those authorities in most in need. The scheme provided funding for income lost and additional pressures and grew from an initial £30m fund in response to requests from WLGA leaders.

In addition to the hardship fund, the Welsh Government has provided just over £53m in support of the pressures councils have faced over the past two years due to reduced council tax collection rates and larger numbers of Council Tax Reduction Scheme (CTRS) claimants. The funding has come with maximum flexibility.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT.)

The WLGA has worked closely with the Welsh Government and a wide range of other partners throughout the Covid-19 and Ukraine crises and the scale and scope of political engagement between local and central government in Wales has been a key feature of recent years. The WLGA helped create a relationship of partnership and mutual respect with the Welsh Government during the Covid period and this has been sustained through the Ukraine and cost of living crises.

Engagement with Ministers and the Welsh Government has been intense but proportionate and almost always productive and constructive. Local Government and Finance Minister Rebecca Evans continued to meet local government leaders frequently on a regular basis and facilitated opportunities for other ministers to join those meetings as appropriate, and when required. This innovative development was quickly recognised as a successful and central feature of the response phase. In addition, the WLGA Leader was invited to join Welsh Government Cabinet meetings as and when appropriate.

Regular engagement with ministers in health and social care, education, and the economy, has also been a feature of the last year. Increasing demand for services, across both Adults and Children's Services, with increased complexity of cases and support packages required, along with workforce challenges and funding levels that have not kept pace with demand, all these issues have been key challenges facing social care services over the past term and key areas of activity for the WLGA.

The Covid-19 pandemic, while hugely challenging for social care staff and those in receipt of services, truly demonstrated the real value and worth of social care and increased public understanding of the roles social care undertake in supporting vulnerable people. Ensuring staff were protected with the necessary PPE, advising on testing regimes for the workforce and residential care residents, developing and supporting implementation of the shielding scheme and inputting to the development of policy and guidance were areas of work WLGA engaged with during this time, supporting the workforce to undertake their roles safely.

Brexit remained a feature of the WLGA's work during 2021-22. An extensive £1.2m support programme was secured by WLGA to help local authorities to prepare for the UK's momentous exit from the EU. We worked intensively with UK Government, Welsh Government, and regional partnerships on replacement EU funding to maximise potential of the Shared Prosperity Fund in Wales and avoid gaps in provision.

The WLGA's partnership with the Welsh Government to deliver sector-led improvement support continued to flourish during the year as did the work of the Digital Team.

The WLGA's structure and work programme reflect these changing and uncertain times. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities. The WLGA has however reinitiated the implementation of organisational changes that were begun before the pandemic, which sought to reform and refresh the organisation in preparedness for the establishment of the new Association for the new municipal term from May 2022.

The WLGA continued reviewing organisational and HR policies and new WLGA branding was introduced in 2021-22 in advance of a new website to support our communications and public affairs activities.

In late 2021, the WLGA moved to new, modern offices at One Canal Parade co-locating with public service partners. The new office promotes and supports a culture of collaboration and agile working and will deliver annual savings and a significantly reduced carbon footprint, incorporating recycled furniture through local suppliers and community-owned enterprises.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT.)

We have adopted new ways of working, reflecting the approaches of councils by moving to remote and recently hybrid working. Working with partner authorities, we promoted and pioneered the approach to bilingual online meetings, including transition from Teams to Zoom and we are currently working with Microsoft in the development of simultaneous interpretation via Teams.

Leaders and wider members became more engaged in and led WLGA business, with more regular leaders' meetings, the establishment of regular Group Leaders' meetings to discuss emerging issues or forthcoming business, and the increased involvement of Deputy Spokespersons in regular bilateral dialogue with Ministers as well as regular cabinet member meetings to extend the engagement.

We have continued to engage with wider elected members, through a range of regular cabinet member networks, training and development sessions, good practice seminars.

PRINCIPAL RISKS AND UNCERTAINTIES

The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.

During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.

The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.

The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru.

We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

FINANCIAL REVIEW FOR THE YEAR

The WLGA collects subscriptions from its members. In 2021-22 subscriptions were increased by 1.4% to £2.139m. Overall subscriptions amount to £2.379m when the LGA share of the subscription is added. Since 2009-10, subscription income has fallen by 23%, or just under a quarter, in real terms.

The Association also receives grant income from the Welsh Government and other bodies for specific activities supporting council functions. In 2021-22 the Association's grant income increased by £4.5m in comparison with the previous financial year, taking the total to an historic high of £33.6m. Apart from the RSG top slices, income comes from nearly 30 different grant schemes. Some of the largest such as the £10m Independent Living Grant are passported straight to councils. Full details of Welsh Government and other grants can be found on page 20

In 2021-22, the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show, LGA Employment services, and a number of national social care functions that are set out on page 22.

The Association shows a deficit of £395,377 for 2021-22 compared to a deficit of £334,604 in previous reporting period. This is due to a higher than anticipated overspend in 21-22 and the accounting treatment of the pensions. A breakdown is shown on page 30.

GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,270,270. The primary reason for the Association having negative reserves is the long-term pension liability of £8,277,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. As noted in the previous section, we expect to see the results of the LGPS triennial revaluation later this year which may impact on expenditure if a decision is made to increase employer contributions.

Excluding the pension deficit, the Association has reserves of £4,006,730 equivalent to the net current assets of the Association. We will work up a reserves policy with the Audit Committee, that will set a target for reserves of between 80% to 100% of net income. This will be subject to the view of the Audit Committee.

In conclusion, even though the financial position shows a negative reserve position at the year end, the Chief Executive is confident that the Association can continue as a going concern for the foreseeable future.

ON BEHALF OF THE MEMBERS

.....
PRESIDING OFFICER - CLLR HUW DAVID

DATE.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his report with the financial statements of the Association for the year ended 31 March 2022.

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable him to ensure that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

CHIEF EXECUTIVE'S CERTIFICATE

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2022 contain a full record of the financial results for the year.

AUDITORS

The auditors, Bevan Buckland LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

The report of the auditors is attached to this financial report.

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

4TH FLOOR ONE CANAL PARADE,
DUMBALLS ROAD,
CARDIFF
CF10 5BF

.....
DATE

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Opinion

We have audited the financial statements of Welsh Local Government Association for the year ended 31 March 2022 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of cashflows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Association's requirements

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to note 23 in the financial statements, which indicates that the Association is insolvent with negative reserves of £4,270,270. This is primarily due to the long term pension scheme deficit of £8,277,000 in which the Association participates. This deficit is an estimate of the expected shortfall of assets over liabilities in the pension scheme and as such the liability is not expected to crystallise in the short term. This indicates that a material uncertainty exists that may cast significant doubt on the Association's long term ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information in the Report of the Chief Executive, but does not include the financial statements and our Report of the Auditors thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Chief Executive.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Chief Executive's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of director

As explained more fully in the Statement of Chief Executive's Responsibilities set out on page 4, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Organisation's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Organisation. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date:

WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Project Income	3	33,557,833	29,090,807
Other Income	4	546,246	645,520
		<u>36,483,266</u>	<u>32,083,345</u>
EXPENDITURE			
Staff Costs	5	4,222,381	3,852,791
Pension scheme charge	6	1,195,000	811,000
Office Accommodation	7	466,359	572,318
Office Services	8	310,530	138,027
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	2,152,874	2,115,728
Welsh Government Other Grant Costs	11	27,563,009	23,971,490
Other Expenses	12	681,752	748,653
Depreciation	13	50,000	
		<u>36,672,338</u>	<u>32,242,174</u>
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
		<u>36,881,338</u>	<u>32,422,174</u>
OPERATING DEFICIT FOR THE YEAR		(398,072)	(338,829)
Interest Receivable		2,695	4,225
DEFICIT ON ORDINARY ACTIVITIES	20	(395,377)	(334,604)
Transfers to/(from) Designated reserves	15	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		<u>(395,377)</u>	<u>(334,604)</u>

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 31, note 20.

None of the Association's activities were acquired or discontinued during either of the above two years.

The notes on pages 17 - 31 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Leasehold Improvements	13	450,000	-
CURRENT ASSETS			
Debtors	14	5,676,665	10,001,345
Cash at Bank and in hand		<u>9,774,711</u>	<u>10,857,897</u>
		15,451,376	20,859,242
CURRENT LIABILITIES	15	<u>11,894,646</u>	<u>17,296,135</u>
NET CURRENT ASSETS		3,556,730	3,563,107
TOTAL ASSETS EXCLUDING PENSION LIABILITY		<u>4,006,730</u>	<u>3,563,107</u>
PENSION LIABILITY	20	(8,277,000)	(10,262,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,270,270)</u>	<u>(6,698,893)</u>
FINANCED BY:			
Reserves	16	(4,270,270)	(6,698,893)
		<u>(4,270,270)</u>	<u>(6,698,893)</u>

Approved by the Association and signed on its behalf on

.....

.....
PRESIDING OFFICER - CLLR HUW DAVID

The notes on pages 17 - 31 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2022**

	2022 £	2021 £
Deficit for the financial year	(395,377)	(334,604)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	1,879,000	3,399,000
Remeasurements on liabilities	945,000	(5,439,000)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>2,824,000</u>	<u>(2,040,000)</u>
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>2,428,623</u></u>	<u><u>(2,374,604)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Retained earnings £	Total equity £
Balance as 1 April 2020	(4,324,289)	(4,324,289)
Changes in Equity		
Total comprehensive income	<u>(2,374,604)</u>	<u>(2,374,604)</u>
Balance at 31 March 2021	<u>(6,698,893)</u>	<u>(6,698,893)</u>
Changes in Equity		
Total comprehensive income	<u>2,428,623</u>	<u>2,428,623</u>
Balance at 31 March 2022	<u>(4,270,270)</u>	<u>(4,270,270)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	<u>(585,881)</u>	<u>5,487,666</u>
Net cash from operating activities		<u>(585,881)</u>	<u>5,487,666</u>
Cash flows from investing activities			
Interest received		2,695	4,225
Capital expenditure		(500,000)	-
Net cash from investing activities		<u>(1,083,186)</u>	<u>5,491,891</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>10,857,897</u>	<u>5,366,006</u>
Cash and cash equivalents at end of year	2	<u><u>9,774,711</u></u>	<u><u>10,857,897</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

1 RECONCILIATION OF OPERATING DEFICIT TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Operating Deficit for the year	(398,072)	(338,829)
Depreciation Charges	50,000	-
Pension adjustment	1,195,000	811,000
Pension contributions paid	(565,000)	(476,000)
Other finance income/costs	209,000	180,000
	<u>490,928</u>	<u>176,171</u>
(Increase) / Decrease in debtors	4,324,680	(8,395,859)
Increase/ (Decrease) in creditors	(5,401,489)	13,707,354
Cash generated from operations	<u><u>(585,881)</u></u>	<u><u>5,487,666</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022	31.03.22	01.04.21
	£	£
Cash and cash equivalents	<u><u>9,774,711</u></u>	<u><u>10,857,897</u></u>
 Year ended 31 March 2021	 31.03.21	 01.04.20
	£	£
Cash and cash equivalents	<u><u>10,857,897</u></u>	<u><u>5,366,006</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company. The accounts present information solely about the Association as an individual undertaking and not about its group.

Turnover/Income

All income is included in the income and expenditure account when the Association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates;

Grant income, where related to performance and specific deliverables, are accounted for as the Association earns the right to consideration by its performance;

Secondment recharges relate to income received for employees seconded to other organisations during the period.

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Fixed Assets

The association has capitalised improvements made on the leasehold property during the year. Depreciation has been calculated on a straight line basis over the term of leasehold.

The Association does not capitalise computer equipment but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £3,788 (2021 £6,425).

Deferred Income

Income received which relates to projects is released to the income and expenditure account to match the expenditure incurred by the projects. This gives rise to a deferred income figure which is shown as a short term creditor in the accounts.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Going Concern

After reviewing the Association's forecasts and projections, the members have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements

Cash at Bank and in Hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2021/22. Subscriptions are paid on the basis of a formula agreed by the Shadow Association in March 1996. The three national parks authorities and the three fire and rescue authorities are associate members.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3 WELSH GOVERNMENT AND OTHER PROJECT INCOME	2022	2021
	£	£
RSG Top Slice Retained: Welsh Local Government Association	968,618	923,600
RSG Top Slice: National Eisteddfod	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400
RSG Top Slice: Royal Welsh Agricultural Society	81,800	80,200
RSG Top Slice: Data Cymru	438,555	422,500
RSG Top Slice: National Adoption Service	473,000	459,200
RSG Top Slice: Looked After Children	400,000	460,000
RSG Top Slice: LGA Workforce support	200,000	200,000
RSG Top Slice - Reflect Project Newport	60,000	-
RSG Top Slice: Food in Schools	199,989	170,607
National Exercise Referral Scheme	165,367	154,920
Waste Improvement	339,781	320,760
National Autism Team	632,123	599,117
Education Training Standards Wales	83,145	42,328
Supporting Service Children in Wales	370,807	286,830
Regional Skills Partnership	806,683	526,497
Armed Forces Free Swimming	28,716	6,465
Resilience and Safety	135,720	94,348
Unaccompanied Asylum Seeking Children	390,411	10,134
Horizon 2020	21,376	58,288
Combined Education Grant	8,987,779	1,021,690
Local Authority Social Services	42,000	143,000
National Commissioning Board	187,587	155,544
Food and Fun (School Holiday Enrichment Programme)	2,610,535	105,759
Wales Strategic Migration Partnership	259,158	238,161
EU Transition Funding	1,119,400	1,244,311
Unadopted Roads Project	79,918	24,302
Life Long Learning Grant	68,720	204
Safer Communities project	-	39,754
Taxi Licencing Project	75,000	78,445
EU Transition Food Provision	-	2,000,000
Homelessness EUTF	-	151,305
Armed Forces Covenant	-	11,637
Armed Forces Liaison Officer	299,000	250,000
NRW Green Recovery	-	4,201,955
Decarb support programme	117,014	6,600,000
Digital team	992,375	262,740
Improvement Support Programme	519,608	149,222
Education Support Covid-19	16,992	7,013,172
All Wales SCN	233,343	94,512
Household Support	1,500,000	-
Independent Living	10,000,000	-
Food in Schools	154,213	-
	<u>33,557,833</u>	<u>29,090,807</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

4 OTHER INCOME	2022	2021
Conference Fees, Charges and Training Events	450	2,083
Policy	13,128	51,808
ADEW Support Officer	40,000	40,000
Directors of Public Protection	91,640	77,718
Principal Youth Officers Group	-	9,439
SWT Policy Officer	30,000	-
Rental income	44,000	43,500
Secondment recharges	327,028	420,972
	<u>546,246</u>	<u>645,520</u>

5 STAFF COSTS

At the year end, the Association's Secretariat was staffed with 83 (2021 - 70) employees.

	2022	2021
Total staff costs were as follows:	£	£
Salaries (including redundancy & early retirement costs)	3,748,586	3,471,027
Employers National Insurance	369,903	335,765
Training	84,542	6,711
Travel and Subsistence	6,030	7,965
Recruitment and Advertising	13,320	31,323
	<u>4,222,381</u>	<u>3,852,791</u>

Included in the above staff costs are early retirement costs of £29,012 (2021 £15,518) and redundancy/serverance costs of £64,822 (2021: NIL)

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £154,099 (2021 - £168,116), which can be analysed as follows:-

	2022	2021
	£	£
Gross Salary	118,126	128,865
Employer's National Insurance	15,183	16,571
Employer's Superannuation	20,790	22,680
	<u>154,099</u>	<u>168,116</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

6 PENSION INCOME & EXPENDITURE CHARGE	2022	2021
	£	£
Current service cost	1,157,000	797,000
Past service costs	22,000	-
Curtailments	-	-
Administration expenses	16,000	14,000
	<u>1,195,000</u>	<u>811,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2022, the Association occupied 4th Floor, One Canal Parade, Dumballs Road, Cardiff under a tenancy agreement from Cardiff and Vale College Further Education Corporation of Colcot Road, Barry. The rent payable is £141,375 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 OFFICE SERVICES

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £8,500 (2021 - £8,200). Also included are amounts relating to non audit fees of £5,595 (2021 - £4,000).

9 MEMBERS' SERVICES

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Executive Board and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 RSG TOP SLICE COSTS	2022	2021
	£	£
RSG Top Slice: National Eisteddfod	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400
RSG Top Slice: Royal Welsh Agricultural Society	81,800	80,200
RSG Top Slice: Data Cymru	438,555	422,500
RSG Top Slice: National Adoption Service	473,419	463,728
RSG Top Slice: Looked after children	460,000	460,000
RSG Top Slice: LGA Workforce Support	200,000	200,000
	<u>2,152,874</u>	<u>2,115,728</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11 WELSH GOVERNMENT OTHER PROJECT COSTS (excluding employee costs)

	2022	2021
	£	£
Improvement fund	-	-
Waste Improvement	55,251	38,299
National Exercise Referral Scheme	41,464	27,373
National Autism Team	188,580	139,498
Education Training Standards Wales	61,505	23,370
Supporting Service Children in Education	304,495	219,566
Regional Skills Partnership	806,683	526,497
Armed Forces Free Swimming	28,716	6,465
Resilience and Safety	69,377	26,872
Food and Fun (School Holiday Enrichment Programme)	2,507,719	2,275
Unaccompanied Asylum Seeking Children	390,411	10,134
Wales Strategic Migration Partnership	22,683	17,280
Local Authority Social Services	42,000	175,004
National Commissioning Board	27,711	34,122
Armed Forces Covenant	-	637
Combined Education Grant	8,987,779	1,026,690
Life long learning grant	1,720	204
Unadopted Roads Project	31,464	4,062
EU Transition funding	1,053,683	1,145,113
EU Transition Food Provision	-	2,000,000
Homelessness EUTF	-	151,305
Armed Forces Liaison Officer	299,000	250,000
Food in Schools	219,638	69,102
Safer Communities project	-	663
Horizon 2020	3,598	1,191
Taxi Licence Project	883	866
NRW Green Recovery	-	4,201,955
Decarb support programme	76,576	6,600,000
Digital Team	448,593	111,613
Improvement Support Programme	336,785	145,755
Education Support Covid-19	16,992	6,981,520
All Wales SCN	39,703	34,059
Household Support	1,500,000	-
Independent Living	10,000,000	-
	<u>27,563,009</u>	<u>23,971,490</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12 OTHER EXPENSES	2022 £	2021 £
Information communication technology	27,967	83,632
Website expenses	3,500	3,519
Research	-	2,250
Translation costs	13,041	24,584
Data Cymru (formerly Local Government Data Unit - Wales)	70,000	70,000
Professional and Consultancy fees	126,593	150,170
Conferences & events	150	-
Local Government Association	239,720	235,020
Directors of Public Protection	91,865	97,492
Principal Youth Officers Group	5,412	64
Miscellaneous expenses	30,264	9,259
Project costs	73,240	72,663
	<u>681,752</u>	<u>748,653</u>

13 TANGIBLE FIXED ASSETS	Leasehold Property Improvements £	Total £
Cost		
At 1 April 2021	-	-
Additions	500,000	500,000
Disposals	-	-
Reclassification	-	-
At 31 March 2022	<u>500,000</u>	<u>500,000</u>
Depreciation		
At 1 April 2021	-	-
Charge for the year	50,000	50,000
Disposals	-	-
Reclassification	-	-
At 31 March 2022	<u>50,000</u>	<u>50,000</u>
Net book value		
At 31 March 2022	450,000	450,000
At 31 March 2021	-	-

14 DEBTORS	2022 £	2021 £
Trade Debtors	228,029	172,134
Grant Debtors	5,211,230	9,625,167
Sundry Debtors	1,095	62,290
VAT	236,311	141,754
	<u>5,676,665</u>	<u>10,001,345</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

15 CREDITORS	2022 £	2021 £
Trade Creditors	6,051,426	5,113,340
Accruals	2,418,455	9,646,411
Deferred Income	3,424,765	2,536,384
	<u>11,894,646</u>	<u>17,296,135</u>

Included within creditors due within one year are amounts due to the following

	2022 £	2021 £
Local Government Data Unit - Wales - (Data Cymru)	225,626	-
	<u>225,626</u>	<u>-</u>

16 RESERVES	General £	Designated £	Total £
Balance brought forward as previously stated	(6,698,893)	-	(6,698,893)
Deficit for the year	(395,377)	-	(395,377)
Remeasurement (liabilities & assets)	2,824,000	-	2,824,000
Transfers	-	-	-
	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>
At 31 March 2022			

17 OPERATING LEASE AND FINANCIAL COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2022	2021
Land and Buildings		
Within one year	-	-
Between one and five years	565,500	424,125
More than five years	848,250	989,625
	<u>1,413,750</u>	<u>1,413,750</u>

The Association has entered into a financial commitment with Cardiff County Council to pay £83,574 for Information and Communication Technology services up to 31 March 2023.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

18 SUBSIDIARY COMPANIES

Data Cymru (formerly Local Government Data Unit - Wales)

	2022	2021
	£	£
Deficit for the year	<u>397,595</u>	<u>(199,083)</u>
Capital and Reserves (after pension creditor)	<u>(374,300)</u>	<u>(886,705)</u>

Reserves before the pension deficit amounted to £915,700 (2021 £913,295). The pension deficit is not expected to crystallise in the short or medium term.

Included in creditors in the balance sheet are amounts owed to Data Cymru of £173,565 (2021 - NIL).

During the year the Association was charged £620,344 (2021 - £525,277) by Data Cymru in the normal course of business.

During the year the Association paid a grant over to Data Cymru amounting to £438,555 (2021 - £422,500)

The results of the Data Cymru have not been consolidated into these financial statements. The results shown within these financial statements are that of the Welsh Local Government Association only.

19 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME

Balance sheet items	2022 £000s	2021 £000s
Market Value of Assets	28,683	25,973
Liabilities	36,960	36,235
(Deficit)	<u>(8,277)</u>	<u>(10,262)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2022		Assets at 31 March 2021	
	£000s	%	£000s	%
Equities	14,256	49.7	13,272	51.1
Government Bonds	2,696	9.4	338	1.3
Other Bonds	975	3.4	2,987	11.5
Property	2,754	9.6	2,338	9.01
Cash/Liquidity	602	2.1	571	2.2
Other	7,400	25.8	6,467	24.9
	<u>28,683</u>		<u>25,973</u>	

	2022 £000s	2021 £000s
Movement in Deficit		
(Deficit) at beginning of year	(10,262)	(7,707)
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Employer Contributions	565	476
Net interest on pension liabilities	(209)	(180)
Administration expense	(16)	(14)
Effects of curtailments	-	-
Remeasurements on liabilities & assets	2,824	(2,040)
(Deficit) at End of Year	<u>(8,277)</u>	<u>(10,262)</u>

	2022 £000s	2021 £000s
Analysis of Pension Scheme Adjustment		
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Curtailments	-	-
Employer Contributions	565	476
Net Interest/Return on Assets	(209)	(180)
Administration expense	(16)	(14)
Net Profit / (Loss)	<u>(839)</u>	<u>(515)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20 PENSION SCHEME (CONT.)

Analysis of Net Interest/Return on Assets	2022 £000s	2021 £000s
Interest on plan assets	549	526
Interest on Pensionable Liabilities	(758)	(706)
Net Profit / (Loss)	<u>(209)</u>	<u>(180)</u>

Main Assumptions (cont.)

Financial:	2022	2021
CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Discount rate	2.8%	2.1%

Split of assets between investment categories:

Equities	49.7%	51.1%
Government Bonds	9.4%	1.3%
Other Bonds	3.4%	11.5%
Property	9.6%	9.0%
Cash/Liquidity	2.1%	2.2%
Other	25.8%	24.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20 PENSION SCHEME (CONT.)

	2022	2021
Post retirement mortality assumptions		
	S3PA CMI_2018_(1.75%)	
Non-retired members	(131% males, 106% females)	S3PA CMI_2018_(1.75%) (131% males, 106% females)
	S3PA CMI_2018_(1.75%)	
Retired members	(124% males, 104% females)	S3PA CMI_2018_(1.75%) (124% males, 104% females)
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.4 (25.9) years	22.6 (26) years
- current pensioner age 65	20.9 (24) years	21 (24.1) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

21 EFFECT OF PENSION SCHEME ON THE DEFICIT FOR THE YEAR

		2022	2021
		£	£
Deficit per accounts		(395,377)	(334,604)
PENSION SCHEME INCLUDED IN THE INCOME & EXPENSE ACCOUNT			
Pension adjustment	6	1,195,000	811,000
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
Employers Pension contributions eliminated as a result of Pension scheme		(565,000)	(476,000)
ADJUSTED SURPLUS		<u>443,623</u>	<u>180,396</u>
Transfer from / (to) designated reserves		-	-
		<u><u>443,623</u></u>	<u><u>180,396</u></u>

22 GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,270,270. The primary reason for the Association having negative reserves is the long term pension deficit of £8,277,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Association pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the Association has reserves of £4,006,730. This gives the Chief Executive confidence that the Association can continue as a going concern for the foreseeable future.

WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Ground Floor, Cardigan House,
Castle Court, Swansea Enterprise Park,
Swansea
SA7 9LA

WELSH LOCAL GOVERNMENT ASSOCIATION

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**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS

The WLGA is rooted in the belief that public services should be delivered through a democratic framework of local accountability and the conviction that local government is best placed to make decisions about how local services are organised, delivered and managed. Never has this been more evident than during the recent period of unprecedented global crises.

The WLGA's work during 2021-22 has been dominated by the demands of extraordinary international crises. Covid-19 has again overshadowed the work of the WLGA for most of 2020-21 as it has for the since its emergence in early 2020. Even though vaccines have helped to ease the pandemic, the pressure on council services and the work of the WLGA has continued. At the same time, the war in Ukraine and the ensuing global economic crisis has presented enormous challenges and the economic and financial impact of Brexit continues to be felt.

The pandemic has demonstrated the importance of local democracy and local delivery experience and operational expertise. Councils have demonstrated that they are uniquely placed at the heart of their communities and public service delivery and are invariably the first port of call for the most vulnerable or those in need of support or assurance.

Councils have demonstrated flexibility, innovation, resilience and responsiveness and the crisis demonstrated councils' ability to respond irrespective of scale and reaffirmed the WLGA's stance on the importance of subsidiarity and localism, with elected members and officers rooted in their local communities.

Throughout the pandemic, the WLGA has sought to provide an interface between leaders and cabinet members and Ministers, sharing information and intelligence, providing a sounding board for approaches and escalating local issues of concern.

Negotiating the local government revenue and capital settlements continue to be a big part of the WLGA's work. During the past year, we undertook powerful and consistent evidence-based lobbying to show the value of local services. This contributed to one of the best settlements since devolution, with an increase in RSG of £438m or 9.4%. Core funding for local government topped £5 billion for the first time ever and is £1 billion higher, in cash terms, than the 2017-18 baseline at start of the term.

With persistent lobbying by the WLGA, the Welsh Government has produced a multiyear settlement providing indicative allocations of an additional £177m (3.5%) in 2023-24 and £128m (2.4%) in 2024-25. This will take core funding to £5.4 billion in 2024-25, some £1.3 billion higher than it was at the start of this term.

For the first time in nearly 10 years, the settlement outcomes in both 2020-21 and 2021-22 significantly addressed the evidenced cost pressures set out to the Finance Sub-Group. The 2021-22 settlement has also been topped up with an additional £60m and with the help of Treasurers, Leaders made a strong case for a £50m fund to address winter pressures and social care overspends.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT)

The operation of the hardship fund in Wales differed from elsewhere in the UK and during 2020-21, in the first full year of the pandemic, led to an additional £400m being made available for pressures and £190m for lost income. The available budget for 2021-22 was £368m. As a claims-based scheme, the fund ensured that funding went to those authorities in most in need. The scheme provided funding for income lost and additional pressures and grew from an initial £30m fund in response to requests from WLGA leaders.

In addition to the hardship fund, the Welsh Government has provided just over £53m in support of the pressures councils have faced over the past two years due to reduced council tax collection rates and larger numbers of Council Tax Reduction Scheme (CTRS) claimants. The funding has come with maximum flexibility.

The WLGA has worked closely with the Welsh Government and a wide range of other partners throughout the Covid-19 and Ukraine crises and the scale and scope of political engagement between local and central government in Wales has been a key feature of recent years. The WLGA helped create a relationship of partnership and mutual respect with the Welsh Government during the Covid period and this has been sustained through the Ukraine and cost of living crises.

Engagement with Ministers and the Welsh Government has been intense but proportionate and almost always productive and constructive. Local Government and Finance Minister Rebecca Evans continued to meet local government leaders frequently on a regular basis and facilitated opportunities for other ministers to join those meetings as appropriate, and when required. This innovative development was quickly recognised as a successful and central feature of the response phase. In addition, the WLGA Leader was invited to join Welsh Government Cabinet meetings as and when appropriate.

Regular engagement with ministers in health and social care, education, and the economy, has also been a feature of the last year. Increasing demand for services, across both Adults and Children's Services, with increased complexity of cases and support packages required, along with workforce challenges and funding levels that have not kept pace with demand, all these issues have been key challenges facing social care services over the past term and key areas of activity for the WLGA.

The Covid-19 pandemic, while hugely challenging for social care staff and those in receipt of services, truly demonstrated the real value and worth of social care and increased public understanding of the roles social care undertake in supporting vulnerable people. Ensuring staff were protected with the necessary PPE, advising on testing regimes for the workforce and residential care residents, developing and supporting implementation of the shielding scheme and inputting to the development of policy and guidance were areas of work WLGA engaged with during this time, supporting the workforce to undertake their roles safely.

Brexit remained a feature of the WLGA's work during 2021-22. An extensive £1.2m support programme was secured by WLGA to help local authorities to prepare for the UK's momentous exit from the EU. We worked intensively with UK Government, Welsh Government, and regional partnerships on replacement EU funding to maximise potential of the Shared Prosperity Fund in Wales and avoid gaps in provision.

The WLGA's partnership with the Welsh Government to deliver sector-led improvement support continued to flourish during the year as did the work of the Digital Team.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT)

The WLGA's structure and work programme reflect these changing and uncertain times. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities. The WLGA has however reinitiated the implementation of organisational changes that were begun before the pandemic, which sought to reform and refresh the organisation in preparedness for the establishment of the new Association for the new municipal term from May 2022.

The WLGA continued reviewing organisational and HR policies and new WLGA branding was introduced in 2021-22 in advance of a new website to support our communications and public affairs activities.

In late 2021, the WLGA moved to new, modern offices at One Canal Parade co-locating with public service partners. The new office promotes and supports a culture of collaboration and agile working and will deliver annual savings and a significantly reduced carbon footprint, incorporating recycled furniture through local suppliers and community-owned enterprises.

We have adopted new ways of working, reflecting the approaches of councils by moving to remote and recently hybrid working. Working with partner authorities, we promoted and pioneered the approach to bilingual online meetings, including transition from Teams to Zoom and we are currently working with Microsoft in the development of simultaneous interpretation via Teams.

Leaders and wider members became more engaged in and led WLGA business, with more regular leaders' meetings, the establishment of regular Group Leaders' meetings to discuss emerging issues or forthcoming business, and the increased involvement of Deputy Spokespersons in regular bilateral dialogue with Ministers as well as regular cabinet member meetings to extend the engagement.

We have continued to engage with wider elected members, through a range of regular cabinet member networks, training and development sessions, good practice seminars.

PRINCIPAL RISKS AND UNCERTAINTIES

The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.

During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.

The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

PRINCIPAL RISKS AND UNCERTAINTIES (cont)

The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru

We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

FINANCIAL REVIEW OF THE YEAR

The WLGA collects subscriptions from its members. In 2021-22 subscriptions were increased by 1.4% to £2.139m. Overall subscriptions amount to £2.379m when the LGA share of the subscription is added. Since 2009-10, subscription income has fallen by 23%, or just under a quarter, in real terms.

The Association also receives grant income from the Welsh Government and other bodies for specific activities supporting council functions. In 2021-22 the Association's grant income increased by £4.5m in comparison with the previous financial year, taking the total to an historic high of £33.6m. Apart from the RSG top slices, income comes from nearly 30 different grant schemes. Some of the largest such as the £10m Independent Living Grant are passported straight to councils. Full details of Welsh Government and other grants can be found on page 21.

In 2021-22, the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show, LGA Employment services, and a number of national social care functions that are set out on page 21.

The Group shows a deficit of £792,972 for 2021-22 compared to a deficit of £533,687 in previous reporting period. This is due to a higher than anticipated overspend in 21-22 and the accounting treatment of the pensions. A breakdown is shown on page 34.

GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,644,570. The primary reason for the Group having negative reserves is the long-term pension liability of £9,567,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. As noted in the previous section, we expect to see the results of the LGPS triennial revaluation later this year which may impact on expenditure if a decision is made to increase employer contributions.

Excluding the pension deficit, the Group has reserves of £4,922,430 equivalent to the net current assets of the Group. We will work up a reserves policy for approval by the Audit Committee, that will set a target for reserves of between 80% to 100% of net income. This will be subject to the view of the Audit Committee.

In conclusion, even though the financial position shows a negative reserve position at the year end, the Chief Executive is confident that the Group can continue as a going concern for the foreseeable future.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his report with the financial statements of the Consolidated accounts for the year ended 31 March 2022.

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable him to ensure that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WELSH LOCAL GOVERNMENT ASSOCIATION

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2022 contain a full record of the financial results for the year.

AUDITORS

The report of the auditors is attached to this financial report.

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

.....
DATE

4TH FLOOR ONE CANAL PARADE,
DUMBALLS ROAD,
CARDIFF
CF10 5BF

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Opinion

We have audited the consolidated financial statements of Welsh Local Government Association (parent organisation) and its subsidiary (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Charity Income Statement, Consolidated Statement of Financial Position, Chairty Statement of Financial Position, Statement of Changes in Equity, Consolidated Statement of cashflow and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Parent & the Group's affairs as at 31 March 2022 and of its surplus/(deficit) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of sections 28,32 and 36 of the Trade Union and Labour Relations (Consolidation) Act 1992; and
- have been prepared in accordance with the requirements of the Association.

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to note 23 in the financial statements, which indicates that the group is insolvent with negative reserves of £4,644,570. This is primarily due to the long term pension scheme deficit of £9,567,000 in which the group participates. This deficit is an estimate of the expected shortfall of assets over liabilities in the pension scheme and as such the liability is not expected to crystallise in the short term. This indicates that a material uncertainty exists that may cast significant doubt on the group's long term ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information in the Report of the Chief Executive, but does not include the financial statements and our Report of the Auditors thereon.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Chief Executive.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Chief Executive's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of director

As explained more fully in the Statement of Chief Executive's Responsibilities set out on page 4, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Organisation's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Organisation. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date:

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Grant Income	3	33,881,152	29,460,017
Other Income	4	633,892	730,520
		<u>36,894,231</u>	<u>32,537,555</u>
EXPENDITURE			
Staff Costs	5	5,205,085	4,876,854
Pension charge	6	1,705,000	1,101,000
Office Accommodation	7	461,304	573,852
Office Services	8	338,087	147,927
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	1,714,319	1,693,228
Welsh Government Other Grant Costs	11	27,132,008	23,595,619
Other Expenses	12	788,210	843,297
Depreciation	13	66,452	11,523
		<u>37,440,898</u>	<u>32,875,467</u>
OTHER FINANCE INCOME/COSTS - PENSION LIABILITY			
Expected return on pension scheme assets		(689,000)	(526,000)
Interest on pension scheme liabilities		938,000	726,000
		<u>37,689,898</u>	<u>33,075,467</u>
OPERATING (DEFICIT) FOR THE YEAR		(795,667)	(537,912)
Interest Receivable		2,695	4,225
(DEFICIT) ON ORDINARY ACTIVITIES	22	(792,972)	(533,687)
Transfers to/(from) Designated reserves	16	-	-
(DEFICIT) AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		<u>(792,972)</u>	<u>(533,687)</u>

A note reconciling the movement of the deficit as a result of the pension liability adjustment can be found on page 34, note 22.

None of the Association's activities were acquired or discontinued during either of the above two years.

The notes on pages 17 - 34 form part of these financial statements.

WELSH LOCAL GOVERNMENT ASSOCIATION
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Project Income	3	33,557,833	29,090,807
Other Income	4	546,246	645,520
		<u>36,483,266</u>	<u>32,083,345</u>
EXPENDITURE			
Staff Costs	5	4,222,381	3,852,791
Pension scheme charge	6	1,195,000	811,000
Office Accommodation	7	466,359	572,318
Office Services	8	310,530	138,027
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	2,152,874	2,115,728
Welsh Government Other Grant Costs	11	27,563,009	23,971,490
Other Expenses	12	681,752	748,653
Depreciation	13	50,000	
		<u>36,672,338</u>	<u>32,242,174</u>
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
		<u>36,881,338</u>	<u>32,422,174</u>
OPERATING DEFICIT FOR THE YEAR		(398,072)	(338,829)
Interest Receivable		2,695	4,225
DEFICIT ON ORDINARY ACTIVITIES	22	(395,377)	(334,604)
Transfers to/(from) Designated reserves	16	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		(395,377)	(334,604)

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 34, note 22.

None of the Association's activities was acquired or discontinued during either of the above two years.

The notes on pages 17 - 34 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2022**

	2022	2021
	£	£
WELSH LOCAL GOVERNMENT ASSOCIATION		
Group deficit for the financial year	(792,972)	(533,687)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	1,999,000	4,859,000
Remeasurements on liabilities	1,735,000	(7,409,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>3,734,000</u>	<u>(2,550,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>2,941,028</u></u>	<u><u>(3,083,687)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

		GROUP		Association	
	Notes	2022 £	2021 £	2022 £	2021 £
FIXED ASSETS					
Tangible assets	13	474,388	15,447	450,000	-
CURRENT ASSETS					
Debtors	14	5,732,682	10,026,128	5,676,665	10,001,345
Cash at Bank and in hand		<u>10,703,906</u>	<u>12,021,132</u>	<u>9,774,711</u>	<u>10,857,897</u>
		16,436,588	22,047,260	15,451,376	20,859,242
CURRENT LIABILITIES	15	<u>11,988,546</u>	<u>17,586,305</u>	<u>11,894,646</u>	<u>17,296,135</u>
NET ASSETS EXCLUDING PENSION LIABILITY		4,922,430	4,476,402	4,006,730	3,563,107
PENSION LIABILITY	21	(9,567,000)	(12,062,000)	(8,277,000)	(10,262,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,644,570)</u>	<u>(7,585,598)</u>	<u>(4,270,270)</u>	<u>(6,698,893)</u>
FINANCED BY:					
Reserves	16	(4,644,570)	(7,585,598)	(4,270,270)	(6,698,893)
		<u>(4,644,570)</u>	<u>(7,585,598)</u>	<u>(4,270,270)</u>	<u>(6,698,893)</u>

The consolidated balance sheet includes the results of the Welsh Local Government Association and its subsidiary company - Local Government Data Unit - Wales.

Approved by the Association and signed on its behalf on

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PRESIDING OFFICER - CLLR HUW DAVID

The notes on pages 17 - 34 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Retained earnings £	Total equity £
Balance as 1 April 2020	(4,501,910)	(4,501,910)
Changes in Equity		
Total comprehensive income	<u>(3,083,687)</u>	<u>(3,083,687)</u>
Balance at 31 March 2021	<u><u>(7,585,597)</u></u>	<u><u>(7,585,597)</u></u>
Changes in Equity		
Total comprehensive income	<u>2,941,028</u>	<u>2,941,028</u>
Balance at 31 March 2022	<u><u>(4,644,570)</u></u>	<u><u>(4,644,570)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
	1	<u>(794,528)</u>	<u>5,608,664</u>
Net cash from operating activities		<u>(794,528)</u>	<u>5,608,664</u>
Cash flows from investing activities			
Interest received		2,695	4,225
Purchase of tangible fixed assets		<u>(525,393)</u>	<u>(10,208)</u>
		(522,698)	(5,983)
Net cash from investing activities		<u>(1,317,226)</u>	<u>5,602,681</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>12,021,132</u>	<u>6,418,451</u>
Cash and cash equivalents at end of year	2	<u><u>10,703,906</u></u>	<u><u>12,021,132</u></u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

1 RECONCILIATION OF OPERATING (DEFICIT) TO CASH GENERATED FROM OPERATIONS

	2022 £	2021 £
Operating (Deficit) for the year	(795,667)	(537,912)
Depreciation	66,452	11,523
Pension adjustment	1,705,000	1,101,000
Pension contributions paid	(715,000)	(536,000)
Other finance income/costs	249,000	200,000
	<u>509,785</u>	<u>238,611</u>
(Increase) / Decrease in debtors	4,293,446	(8,419,028)
Increase/ (Decrease) in creditors	(5,597,759)	13,789,081
Cash generated from operations	<u><u>(794,528)</u></u>	<u><u>5,608,664</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022	31.03.22 £	01.04.21 £
Cash and cash equivalents	<u><u>10,703,906</u></u>	<u><u>12,021,132</u></u>
Year ended 31 March 2021	31.03.21 £	01.04.20 £
Cash and cash equivalents	<u><u>12,021,132</u></u>	<u><u>6,418,451</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company.

Group financial statements

The financial statements consolidate the results of the Association and its wholly owned subsidiary company, Local Government Data Unit - Wales. The trading results of the subsidiary undertakings are consolidated on a line by line basis within the consolidated statement of financial activities.

Turnover/Income

All income is included in the income and expenditure account when the Association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates;

Grant income, where related to performance and specific deliverables, are accounted for as the Association earns the right to consideration by its performance;

Secondment recharges relate to income received for employees seconded to other organisations during the period.

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

Fixed Assets

The association has capitalised improvements made on the leasehold property during the year. Depreciation has been calculated on a straight line basis over the term of leasehold.

The Association does not capitalise computer equipment but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £3,788 (2021 £6,425).

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Cash at Bank and in Hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2021/22.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3	WELSH GOVERNMENT AND OTHER PROJECT INCOME	Group		Association	
		2022	2021	2022	2021
		£	£	£	£
	RSG Top Slice Retained	968,618	923,600	968,618	923,600
	RSG Top Slice: National Eisteddfod	356,900	349,900	356,900	349,900
	RSG Top Slice: Urdd Eisteddfod	142,200	139,400	142,200	139,400
	RSG Top Slice: Royal Welsh Show	81,800	80,200	81,800	80,200
	RSG Top Slice: Data Cymru	438,555	422,500	438,555	422,500
	RSG Top Slice: National Adoption Service	473,000	459,200	473,000	459,200
	RSG Top Slice: Looked after Children	400,000	460,000	400,000	460,000
	RSG Top Slice: LGA Workforce support	200,000	200,000	200,000	200,000
	RSG Top Slice: Reflect Project Newport	60,000	-	60,000	-
	RSG Top Slice: Food in Schools	199,989	170,607	199,989	170,607
	National Exercise Referral Scheme	165,367	154,920	165,367	154,920
	Waste Improvement	339,781	320,760	339,781	320,760
	National Autism Team	632,123	599,117	632,123	599,117
	Education Training Standards Wales	83,145	42,328	83,145	42,328
	Supporting Service Children in Wales	370,807	286,830	370,807	286,830
	Data Unit Specific Project Income	323,319	369,210	-	-
	Regional Skills Partnership	806,683	526,497	806,683	526,497
	Armed Forces Free Swimming	28,716	6,465	28,716	6,465
	Resilience and Safety	135,720	94,348	135,720	94,348
	Unaccompanied Asylum Seeking Children	390,411	10,134	390,411	10,134
	Horizon 2020	21,376	58,288	21,376	58,288
	Combined Education Grant	8,987,779	1,021,690	8,987,779	1,021,690
	Local Authority Social Services	42,000	143,000	42,000	143,000
	National Commissioning Board	187,587	155,544	187,587	155,544
	Food and Fun	2,610,535	105,759	2,610,535	105,759
	Wales Strategic Migration Partnership	259,158	238,161	259,158	238,161
	EU Transition Funding	1,119,400	1,244,311	1,119,400	1,244,311
	Unadopted Roads Project	79,918	24,302	79,918	24,302
	Life Long Learning Grant	68,720	204	68,720	204
	Safer Communities project	-	39,754	-	39,754
	Taxi Licencing Project	75,000	78,445	75,000	78,445
	EU Transition Food Provision	-	2,000,000	-	2,000,000
	EU Settled Status	-	-	-	-
	Homelessness EUTF	-	151,305	-	151,305
	Armed Forces Covenant	-	11,637	-	11,637
	Armed Forces Liaison Officer	299,000	250,000	299,000	250,000
	NRW Green Recovery	-	4,201,955	-	4,201,955
	Decarb support programme	117,014	6,600,000	117,014	6,600,000
	Digital team	992,375	262,740	992,375	262,740
	Improvement Support Programme	519,608	149,222	519,608	149,222
	Education Support Covid-19	16,992	7,013,172	16,992	7,013,172
	All Wales SCN	233,343	94,512	233,343	94,512
	Household Support	1,500,000	-	1,500,000	-
	Independent Living	10,000,000	-	10,000,000	-
	Food in Schools	154,213	-	154,213	-
		33,881,152	29,460,017	33,557,833	29,090,807

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

4 OTHER INCOME	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Conference Fees, Charges and Training Events	450	2,083	450	2,083
Policy	13,128	51,808	13,128	51,808
ADEW Support Officer	40,000	40,000	40,000	40,000
Directors of Public Protection	91,640	77,718	91,640	77,718
Principal Youth Officers Group	-	9,439	-	9,439
SWT Policy Officer	30,000	-	30,000	-
Rental income	4,000	3,500	44,000	43,500
Data Unit other income	127,646	125,000	-	-
Secondment costs	327,028	420,972	327,028	420,972
	<u>633,892</u>	<u>730,520</u>	<u>546,246</u>	<u>645,520</u>

5 STAFF COSTS

	Group		Association	
	2022	2021	2022	2021
Average monthly number of employees	<u>107</u>	<u>95</u>	<u>83</u>	<u>70</u>

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Total staff costs were as follows:				
Salaries (including redundancy costs)	4,627,245	4,386,121	3,748,586	3,471,027
Employers National Insurance	463,369	431,254	369,903	335,765
Training	87,248	8,522	84,542	6,711
Travel and Subsistence	6,534	12,151	6,030	7,965
Recruitment and Advertising	20,689	38,806	13,320	31,323
	<u>5,205,085</u>	<u>4,876,854</u>	<u>4,222,381</u>	<u>3,852,791</u>

Included in the above staff costs are early retirement costs of £29,012 (2021 £15,518) and redundancy/serverance costs of £64,822 (2021: NIL)

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £154,099 (2021 - £168,116), which can be analysed as follows:-

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

5 STAFF COSTS - Cont.	2022	2021
	£	£
Gross Salary	118,126	128,865
Employer's National Insurance	15,183	16,571
Employer's Superannuation	20,790	22,680
	<u>154,099</u>	<u>168,116</u>

6 PENSION SCHEME INCOME & EXPENDITURE CHARGE	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Current service cost	1,567,000	1,087,000	1,157,000	797,000
Past service costs	122,000	-	22,000	-
Curtailments	-	-	-	-
Administration expenses	16,000	14,000	16,000	14,000
	<u>1,705,000</u>	<u>1,101,000</u>	<u>1,195,000</u>	<u>811,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2022, the Association occupied 4th Floor, One Canal Parade, Dumballs Road, Cardiff under a tenancy agreement from Cardiff and Vale College Further Education Corporation of Colcot Road, Barry. The rent payable is £141,375 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 OFFICE SERVICES

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £12,613 (2021 - £13,320). Also included are amounts relating to non audit fees of £5,595 (2021 - £4,000).

9 MEMBERS' SERVICES

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Executive Board and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 RSG TOP SLICE COSTS	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
RSG Top Slice: National Eisteddfod	356,900	349,900	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400	142,200	139,400
RSG Top Slice: Royal Welsh Show	81,800	80,200	81,800	80,200
RSG Top Slice: Local Government Data Unit	-	-	438,555	422,500
RSG Top Slice: National Adoption Service	473,419	463,728	473,419	463,728
RSG Top Slice: Looked after children	460,000	460,000	460,000	460,000
RSG Top Slice: LGA	200,000	200,000	200,000	200,000
	<u>1,714,319</u>	<u>1,693,228</u>	<u>2,152,874</u>	<u>2,115,728</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11 WELSH GOVERNMENT OTHER PROJECT COSTS (EXCLUDING EMPLOYEE COSTS)

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Waste Improvement	43,186	28,299	55,251	38,299
National Exercise Referral Scheme	34,664	27,373	41,464	27,373
National Autism Team	170,580	121,498	188,580	139,498
Education Training Standards Wales	61,505	23,370	61,505	23,370
Supporting Service Children in Education	304,495	219,566	304,495	219,566
Regional Skills Partnership	736,334	476,647	806,683	526,497
Armed Forces Free Swimming	28,716	6,465	28,716	6,465
Resilience and Safety	69,377	21,622	69,377	26,872
Food and Fun	2,504,969	2,275	2,507,719	2,275
Unaccompanied Asylum Seeking Children	390,411	10,134	390,411	10,134
Wales Strategic Migration Partnership	6,783	4,330	22,683	17,280
Local Authority Social Services	-	42,004	42,000	175,004
National Commissioning Board	27,711	14,921	27,711	34,122
Armed Forces Covenant	-	637	-	637
Combined Education Grant	8,967,779	1,006,690	8,987,779	1,026,690
Life long learning grant	1,720	204	1,720	204
Unadopted Roads Project	31,464	4,062	31,464	4,062
EU Transition funding	1,053,683	1,145,113	1,053,683	1,145,113
EU Transition Food Provision	-	2,000,000	-	2,000,000
Homelessness EUTF	-	151,305	-	151,305
Armed Forces Liaison Officer	299,000	250,000	299,000	250,000
Food in Schools	219,638	57,832	219,638	69,102
Safer Communities project	-	663	-	663
Horizon 2020	3,598	1,191	3,598	1,191
Taxi Licence Project	883	866	883	866
NRW Green Recovery	-	4,201,955	-	4,201,955
Decarb support programme	76,576	6,600,000	76,576	6,600,000
Digital Team	408,767	111,613	448,593	111,613
Improvement Support Programme	133,474	77,705	336,785	145,755
Education Support Covid-19	16,992	6,953,220	16,992	6,981,520
All Wales SCN	39,703	34,059	39,703	34,059
Household Support	1,500,000	-	1,500,000	-
Independent Living	10,000,000	-	10,000,000	-
	<u>27,132,008</u>	<u>23,595,619</u>	<u>27,563,009</u>	<u>23,971,490</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12 OTHER EXPENSES	Group		Association	
	2022 £	2021 £	2022 £	2021 £
ICT	131,171	83,632	27,967	83,632
Website expenses	-	19	3,500	3,519
Research	-	2,250	-	2,250
Translation costs	13,041	24,584	13,041	24,584
Local Government Data Unit	-	-	70,000	70,000
Professional and Consultancy fees	126,963	150,170	126,593	150,170
Conferences & events	150	-	150	-
Local Government Association	239,720	235,020	239,720	235,020
Directors of Public Protection	91,865	97,492	91,865	97,492
Principal Youth Officers Group	412	64	5,412	64
Miscellaneous expenses	32,910	9,259	30,264	9,259
Project costs	151,978	240,807	73,240	72,663
	<u>788,210</u>	<u>843,297</u>	<u>681,752</u>	<u>748,653</u>

13 FIXED ASSETS	(ASSOCIATION)		(GROUP)	
	Leasehold Property Improvements	Leasehold Property Improvements	Office & Computer Equipment	Total £
At 1 April 2021	-	-	135,091	135,091
Additions	500,000	500,000	25,393	525,393
Disposals	-	-	-	-
At 31 March 2022	<u>500,000</u>	<u>500,000</u>	<u>160,484</u>	<u>660,484</u>
DEPRECIATION	-	-	-	-
At 1 April 2021	-	-	119,644	119,644
Charge for Year	50,000	50,000	16,452	66,452
Elimated on disposal	-	-	-	-
At 31 March 2022	<u>50,000</u>	<u>50,000</u>	<u>136,096</u>	<u>186,096</u>
NET BOOK VALUE				
At 31 March 2022	<u>450,000</u>	<u>450,000</u>	<u>24,388</u>	<u>474,388</u>
At 31 March 2021	<u>-</u>	<u>-</u>	<u>15,447</u>	<u>15,447</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14 DEBTORS	Group		Association	
	2022 £	2021 £	2022 £	2021 £
Trade Debtors	362,704	230,936	228,029	172,134
Grant Debtors	5,211,230	9,675,167	5,211,230	9,625,167
Sundry Debtors	1,095	62,290	1,095	62,290
VAT	157,653	57,735	236,311	141,754
	<u>5,732,682</u>	<u>10,026,128</u>	<u>5,676,665</u>	<u>10,001,345</u>

15 CREDITORS	Group		Association	
	2022 £	2021 £	2022 £	2021 £
Trade Creditors	5,844,077	5,136,630	6,051,426	5,113,340
Accruals	2,458,538	9,562,846	2,418,455	9,539,411
Deferred Income	3,685,931	2,886,829	3,424,765	2,643,384
Amounts owed to group undertakings	-	-	-	-
	<u>11,988,546</u>	<u>17,586,305</u>	<u>11,894,646</u>	<u>17,296,135</u>

Included within creditors due within one year are amounts due to the following subsidiaries:-

	2022 £	2021 £	2022 £	2021 £
Local Government Data Unit - Wales (Data Cymru)	-	-	225,626	-
	<u>-</u>	<u>-</u>	<u>225,626</u>	<u>-</u>

16 RESERVES - GROUP	General £	Designated £	Total £
Balance brought forward	(8,560,243)	974,645	(7,585,598)
Deficit for the year	(792,972)	-	(792,972)
Remeasurement (liabilities & assets)	3,734,000	-	3,734,000
Transfer between reserves	-	-	-
At 31 March 2022	<u>(5,619,215)</u>	<u>974,645</u>	<u>(4,644,570)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

16 RESERVES - Association	General £	Designated £	Total £
Balance brought forward	(6,698,893)	-	(6,698,893)
Deficit for the year	(395,377)	-	(395,377)
Remeasurement (liabilities & assets)	2,824,000	-	2,824,000
Transfer between reserves	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2022	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>

17 OPERATING LEASE AND FINANCIAL COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2022 £	2021 £
Land and Buildings		
Within one year	-	-
Between one and five years	565,500	424,125
More than five years	848,250	989,625
	<u>1,413,750</u>	<u>1,413,750</u>

The Group has entered into a financial commitment with Cardiff County Council to pay £83,574 for Information and Communication Technology services up to 31 March 2023.

18 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

19 SUBSIDIARIES

The following was a subsidiary of the parent company Welsh Local Government Association at 31 March 2022;

Local Government Data Unit - Wales

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME - ASSOCIATION

Balance sheet items	2022 £000s	2021 £000s
Market Value of Assets	28,683	25,973
Liabilities	36,960	36,235
(Deficit)	<u>(8,277)</u>	<u>(10,262)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2022		Assets at 31 March 2021	
	£000s	%	£000s	%
Equities	14,256	49.7	13,272	51.1
Government Bonds	2,696	9.4	338	1.3
Other Bonds	975	3.4	2,987	11.5
Property	2,754	9.6	2,338	9.01
Cash/Liquidity	602	2.1	571	2.2
Other	7,400	25.8	6,467	24.9
	<u>28,683</u>		<u>25,973</u>	

	2022 £000s	2021 £000s
Movement in Deficit		
(Deficit) at beginning of year	(10,262)	(7,707)
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Employer Contributions	565	476
Net interest on pension liabilities	(209)	(180)
Administration expense	(16)	(14)
Effects of curtailments	-	-
Remeasurements on liabilities & assets	2,824	(2,040)
(Deficit) at End of Year	<u>(8,277)</u>	<u>(10,262)</u>

	2022 £000s	2021 £000s
Analysis of Pension Scheme Adjustment		
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Curtailments	-	-
Employer Contributions	565	476
Net Interest/Return on Assets	(209)	(180)
Administration expense	(16)	(14)
Net Profit / (Loss)	<u>(839)</u>	<u>(515)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME (CONT.) - ASSOCIATION

Analysis of Net Interest/Return on Assets	2022 £000s	2021 £000s
Interest on plan assets	549	526
Interest on Pensionable Liabilities	(758)	(706)
Net Profit / (Loss)	<u>(209)</u>	<u>(180)</u>

Main Assumptions (cont.)

Financial:	2022	2021
CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Discount rate	2.8%	2.1%

Split of assets between investment categories:

Equities	49.7%	51.1%
Government Bonds	9.4%	1.3%
Other Bonds	3.4%	11.5%
Property	9.6%	9.0%
Cash/Liquidity	2.1%	2.2%
Other	25.8%	24.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20 PENSION SCHEME (CONT.) - ASSOCIATION

	2022	2021
Post retirement mortality assumptions		
Non-retired members	S3PA CMI_2018_(1.75%) (131% males,106% females)	S3PA CMI_2018_(1.75%) (131% males,106% females)
Retired members	S3PA CMI_2018_(1.75%) (124% males,104% females)	S3PA CMI_2018_(1.75%) (124% males,104% females)
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.4 (25.9) years	22.6 (26) years
- current pensioner age 65	20.9 (24) years	21 (24.1) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

21 PENSION SCHEME - SUBSIDIARY

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taf County Borough Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires Local Government Data Unit and its employees to pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Contributions for the accounting period ending 31 March 2022

The Employer's regular contributions to the Fund for the accounting period 31 March 2022 are estimated to be £0.15M. In addition, Strain on Fund Contributions may be required.

Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Assumptions

The latest actuarial valuation of Local Government Data Unit's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Present value of funded obligations	(8,170,000)	(8,400,000)
Fair value of plan assets	6,880,000	6,600,000
Present value of unfunded obligations	(1,290,000)	(1,800,000)
Deficit	(1,290,000)	(1,800,000)
Net liability	(1,290,000)	(1,800,000)

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

21 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in surplus are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Current service cost	410,000	290,000
Financing		
Interest on net defined benefit liability	180,000	140,000
Total expense in the Income & Expenditure account	<u>590,000</u>	<u>430,000</u>
Actual return on plan assets	<u>-</u>	<u>-</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Opening defined benefit obligation	8,110,000	6,080,000
Current service cost		
Contributions by scheme participants	-	-
Interest cost	180,000	140,000
Actuarial losses/(gains)	(790,000)	1,970,000
Benefits paid	(250,000)	(80,000)
	<u>7,250,000</u>	<u>8,110,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Opening fair value of scheme assets	6,600,000	5,040,000
Contributions by employer	150,000	60,000
Interest income on assets	140,000	120,000
Assesses other remeasurements	(120,000)	1,460,000
Benefits paid	(250,000)	(80,000)
	<u>6,520,000</u>	<u>6,600,000</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

21 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Assets other remeasurements	120,000	1,460,000

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2022	2021
Equities	67.40%	70.70%
Government bonds	12.00%	9.10%
Corporate bonds	12.90%	13.00%
Cash	0.40%	0.80%
Property	7.30%	6.40%
	100.00%	100.00%

Principal actuarial assumptions at the balance sheet date (% per annum)

	2022	2021
Discount rate	2.70%	2.10%
CPI Inflation	2.90%	2.60%
Pension increases	2.90%	2.60%
Pension accounts revaluation rate	2.90%	2.60%
Rate of general increase in salaries	4.15%	3.85%

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

22 EFFECT OF PENSION SCHEME ON THE SURPLUS FOR THE YEAR

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
(Deficit) per accounts	(792,972)	(533,687)	(395,377)	(334,604)

PENSION SCHEME INCLUDED IN THE INCOME AND EXPENSE ACCOUNT

Pension adjustment	6	1,705,000	1,101,000	1,195,000	811,000
Expected return on pension scheme assets		(689,000)	(526,000)	(549,000)	(526,000)
Interest on pension scheme liabilities		938,000	726,000	758,000	706,000

Employers Pension contributions eliminated as a result of pension scheme		(715,000)	(536,000)	(565,000)	(476,000)
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ADJUSTED SURPLUS (PRE PENSION SCHEME)		<u>446,028</u>	<u>231,313</u>	<u>443,623</u>	<u>180,396</u>
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Transfer from / (to) designated reserves		-	-	-	-
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		<u><u>446,028</u></u>	<u><u>231,313</u></u>	<u><u>443,623</u></u>	<u><u>180,396</u></u>
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23 GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,644,570. The primary reason for the Group having negative reserves is the long term pension deficit of £9,567,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Group pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the Group has reserves of £4,922,430. This gives the Chief Executive confidence that the Group can continue as a going concern for the foreseeable future.

25th of November 2022

WLGA DRAFT FINANCIAL STATEMENTS 2021-22

Purpose

1. To present to the WLGA Council:

- The Audit Findings Report March 2022 (Annex 1); and
- The Auditors' Letter of Representation (Annex 2).

and ask that the WLGA council approves:

- The WLGA Strategic Report, Report of the Chief Executive and Financial Statements for the year ended 31 March 2022 (Annex 3); and
- The Consolidated Statement of Accounts for the WLGA and Data Cymru for the year ended 31 March 2022 (Annex 4).

Financial Review of the Year

2. The Welsh Local Government Association collects subscriptions from its members to support the services it provides and in 2021-22 subscriptions were increased by 2% compared with the previous financial year.
3. The Association also receives grant income from the Welsh Government and other bodies for a number of specific activities in support of Welsh local authorities. In 2021-22 the Association's grant income increased by £3.6m in comparison with the previous financial year. These increases are primarily related to grants in relation to Welsh Government's response to the COVID-19 pandemic. Full details of the Welsh Government and other grants can be found on page 20 (Annex 3).
4. In 2021-22 the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show and a number of national social care functions set out on page 22 (Annex 3)
5. The Association shows a deficit of £440,377 for 2021-22 compared to a deficit of £334,604 in the previous reporting period. The Association returned a surplus of £398,623 before the adjustment for the pension in these financial statements and a breakdown is shown on page 30 (Annex 3).

Principal Risks and Uncertainties

6. The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.
7. During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.
8. The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.
9. The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.
10. Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru.
11. We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

Recommendations

12. Members are asked to:

11.1 Approve the WLGA Strategic Report, Report of the Chief Executive and Financial Statements for the year ended 31 March 2022; and

11.2 Approve the Consolidated Statement of Accounts for the WLGA and Data Cymru for the year ended 31 March 2022.

Author: Dr Chris Llewelyn
Chief Executive
E-mail: chris.llewelyn@wlga.gov.uk

Audit Findings Report for the year ended 31st March 2022

Annex 1



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. The terms and conditions, under which our audit will be performed, including our roles and responsibilities and auditors, are set out in our letters of engagement. These have been issued separately.

However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This report highlights the key issues affecting the results of the association and the preparation of the financial statements for the year ended 31st March 2022. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK) 260.

We are required to report whether, in our opinion, the association's financial statements give a true and fair view of the financial position of the association and its income and expenditure for the year and whether they have been properly prepared in accordance with FRS 102.

Status of our audit	<p>We have completed all of our audit work.</p> <p>Matter outstanding:</p> <ul style="list-style-type: none"> - Board approval of financial statements - Signed letter of representation
Audit opinion	On the completion of the audit we expect to issue an unmodified opinion.
Materiality	Final materiality has been set at £730,000. A level of £36,500 has been set as our clearly trivial level.
Audit risks & other areas of focus	We have no significant items to highlight regarding significant audit risks and other areas of audit focus.
Accounting estimate and judgements	We have no issues to report in this area and considered the process of estimation to be appropriate and key assumptions to be well balanced for these items.
Internal controls	<p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, if we identify any control weaknesses, we report these.</p> <p>Our work has identified no control weakness which we wish to highlight for your attention.</p> <p>Our follow up to the interim audit and prior year recommendations has shown that 1 have been resolved and 3 are still ongoing.</p>

Adjusted misstatements	As a result of our audit work, we identified 5 misstatements that require adjustment by management.
Unadjusted misstatements	We have noted no errors above triviality level of £36,500 that require adjustment.
Independence	We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity in performing our duties as auditors.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the Martin and the finance team during our audit.

Audit approach

The auditing findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

As auditor we are responsible for performing the audit in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance their responsibilities for the preparation of the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In our audit plan presented to you in March 2022 we reported our planning materiality used in planning our overall audit strategy. In line with ISA (UK) 450, prior to the evaluation of uncorrected misstatements, we have considered whether it necessary to revise materiality.

As planning materiality was based on prior year accounts we have revisited our actual materiality to consider actual result for the period. Our audit work has been carried out using the revised materiality so has had no impact on our audit testing.

Area	Planning materiality	Final materiality
Overall	£360,000	£730,000

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have applied the de minimis level of 5% of overall materiality reported in our audit planning report to the final materiality.

Areas of significant risk

We raised a number of significant risks in our audit plan where we detailed work we would be carrying out as part of our audit procedures. We performed procedures during the audit to address each of these risks and ensure the financial statements are free from a material misstatement.

Risk	Overall Risk Factor	Work completed, issues & assurance gained
Revenue recognition <i>There is a presumption that revenue recognition is a significant risk on every audit engagement (ISA (UK) 240)</i>	High	<p>During the course of our audit work we have completed walk through tests on all significant income streams.</p> <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
Management Override of Controls <i>Management override of controls should be considered a risk on every engagement (ISA (UK&I) 240.74)</i>	High	<p>During the course of our audit we have undertaken the following procedures:</p> <ul style="list-style-type: none"> Considered indication of management bias in accounting estimates and their overall appropriateness; Reviewing journal entries and other adjustments made at the end of the accounting period; and <p>There are no issues we wish to bring to your attention arising from the procedures undertaken.</p>
Treatment of Office Refurbishment Costs Deferred income may be materially misstated	Medium	<p>Expenditure of the leasehold property have been capitalised and depreciated appropriately during the year.</p> <p>There were no issues identified.</p>
Treatment of Rent Free Period Pension liability is a high risk area due to being a material balance	Medium	<p>The rent free amount has been considered against materiality and is not deemed material to adjust for.</p> <p>There were no issues identified.</p>
Treatment of Deferred Income	Medium	<p>We reviewed the deferred income calculations provided by the finance team and compared to the information in the grant offer letters for accuracy.</p> <p>There were no issues identified.</p>

Accounting estimates and judgements

Accounting estimates vary widely in nature and are required to be made by management when the monetary amounts cannot be directly observed. The measurement of these monetary amounts is subject to estimation uncertainty, which reflects inherent limitations in knowledge or data. The process of making accounting estimates involves selecting and applying a method using assumptions and data, which requires judgement by management and can give rise to complexity in measurement. We have outlined below a summary and how we assess the key accounting judgements applied by management.

Assessment

- We consider the estimate to potentially be materially misstated and disagree with judgements used to derive the estimate or estimation process
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be optimistic
- We consider it unlikely that the estimate is materially misstated, however we consider assumptions used in the estimation process to be cautious
- We consider the process of estimation to be appropriate and key assumptions to be well balanced

Key Estimate	2022 Value	2021 Value	Assessment	Explanation
Accruals	2,418,555	9,428,410	●	Accruals are based on actual invoices instead of estimations and 65% of 2022 value has been verified to invoices. Large variance on previous year due to £6m one off grant in prior year.
Pension Liability	8,277,000	10,646,000	●	Actuary report has been reviewed and there are no issues around the competence of the actuary producing the report.

As part of the requirements of ISA (UK) 540 we will require written representations whether the methods, significant assumptions and the data used in making the accounting estimates and the related party disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with applicable reporting framework and as such has been included on the draft letter of representation provided.

Internal Controls

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those deficiencies we have identified during the course of the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for year ended 31st March 2021.

The following control issues were identified during the audit. These control issues are categorised according to the level of risk attached:

- Red Significant weaknesses – risk of material misstatement
- Amber Significant deficiency – risk of significant misstatement
- Yellow Deficiency – risk of inconsequential misstatement

	Area of control	Issue and risk	Recommendations
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No new internal control weaknesses have been identified this year.

Follow up of prior year audit and interim audit recommendations

The following summarises the progress made to implement recommendations identified in our prior year audit findings reports and our interim audit for the current year.

	Number of recommendations that were:			
	Included in report	Implemented	Ongoing	Position to be confirmed at final audit
Final Audit Findings Report 2021	3	2	1	1
Interim Audit Findings Report 2022	2	1	1	1
Total	5	3	2	2

	Area of control	Issue and recommendation	Status as of final audit
●	Income being raised late	<p>It was highlighted from our audit work that some income was not invoiced until two months after the work had been done.</p> <p>This could result in missed income and a delay in receiving the money.</p> <p>The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis</p>	There were no issues with obtaining the information required for income testing during the current year audit.
●	Control of Raising Income	<p>It was highlighted from our audit work that some income was not invoiced until two months after the work had been done.</p> <p>This could result in missed income and a delay in receiving the money.</p> <p>The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis.</p>	There were no issues with obtaining the information required for income testing during the current year audit.
●	Grant claims going in late	<p>There are a couple of occasions where grant claims were submitted late, there could be a threat that the claims are rejected.</p> <p>The finance department should be made aware of all claims ongoing and when they are likely to claim, to ensure none are missed.</p>	Issue still ongoing at final audit

●	Personnel files not up to date	<p>There was one individual where the information held on the personnel file was out of date or missing.</p> <p>Personnel files should be reviewed and updated to include the most recent information.</p>	Issue still ongoing at final audit
●	Material reconciliation difference on the bank account at year end due to incorrect journal posting	<p>There is a material bank difference on the bank reconciliation reports due to a journal not being processed correctly. This is resulting in the bank balance being materially misstated at the year end.</p> <p>We recommend to amend the journal in order to rectify the bank balance.</p>	<p>Difference is in relation to a write off journal that requires amendment. To be amended prior to the year end.</p> <p>Adjustment not made post interim audit, adjustment has now been made during the final audit.</p> <p>Issue resolved.</p>

Adjusted misstatements

We are required to report all items above our trivial threshold to those charged with governance, whether or not the financial statements have been adjusted by management. Below is a summary of the adjustments made from the initial trial balance received to the financial statements along with the impact on the primary statements. All of these adjustments have been agreed with management before adjusting.

Adjustment			
	Dr £	Cr £	Description
1	1,985,000		Pension Deficit Movement
		565,000	Repost employers contributions
	1,195,000		Pension Charge
	290,000		Interest Charge
		2,824,000	Other Comprehensive Income
	3,389,000	3,389,000	Pension Adjustment
2	50,000		Leasehold Property Improvements Depreciation – P&L
		50,000	Leasehold Property Improvements Depreciation – Balance Sheet
	50,000	50,000	Leasehold Property Improvements Depreciation
3	3,500		Website Costs
	700		VAT
		4,200	Intercompany Creditor
	4,200	4,200	Missing Intercompany Invoice
4	117,890		Trade Debtors
		117,890	VAT Suspense
	117,890	117,890	Correct VAT Balance
5	474,154		Bank
	5,252,846		Reserves
		218,000	Accruals
		5,509,000	Pension Deficit
	5,727,000	5,727,000	Opening Balance Adjustments

Overall effect to the profit and loss is a decrease in profits of £973,500.

Unadjusted misstatements

Below is a summary of any unadjusted misstatements identified during the course of our audit except for those deemed trivial. In line with ISA (UK) 450 'Evaluation of misstatements identified during the audit' we will require a written representation confirming the reasoning for not making these adjustments.

Income Statement		Balance sheet		Description
Dr £	Cr £	Dr £	Cr £	

No errors above triviality level of £36,500 to disclose

Other Matters

Fraud

- We have previously discussed the risk of fraud in our planning report. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.

Laws & Regulations

- You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.

Related parties

- In forming an opinion on the financial statements, we are required to evaluate whether identified related party relationships and transactions have been appropriately accounted for and disclosed. We have no issues to report in this area.

Written representations

- A letter of representation has been requested from the board, including specific representations. This has been provided externally to this report.

Disclosures

- Our review found no material omissions in the financial statements

Accounting policies

- The accounting policies used to prepare the financial statements are considered to be appropriate and are in accordance with the relevant accounting standards.

Appendix 1 – Auditor independence and objectivity

Bevan Buckland LLP is required to maintain independence from Welsh Local Government Association in line with the Ethical Standard (2019) issued by the Financial Reporting Council (FRC) and the ethical pronouncements established by the auditor's relevant professional body, in our case the Institute of Chartered Accountants in England & Wales. In addition, our reputation and continued success as a firm depends on us maintaining auditor independence. We have procedures in place to ensure that any conflicts of interest of which we are aware are communicated to directors and appropriate action taken. This includes all relationships between Bevan Buckland LLP and Welsh Local Government Association that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity of the audit engagement partner and the audit staff.

However, there may be factors known by the board of which we are not aware. Our letter of engagement requires the board to notify us if it becomes aware that any person becomes connected with Bevan Buckland LLP and we will be asking the board to give us written representations that there are no such matters at the conclusion of the audit.

Maintaining and assessing our independence is a continual process throughout the audit cycle. However, we will formally confirm our independence and any significant matters we have considered in assessing any threats to our independence and objectivity in our Report to the board.

We have made enquires of all Bevan Buckland LLP teams providing services to you for compliance matters to ensure our independence is maintained.

In our judgement we have complied with the UK regulatory and professional requirements including the Ethical Standard (2019) issued by the FRC. We are not aware of any relationships between Bevan Buckland LLP and the association, that in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity at the date of the audit plan. As a result we are able to express an objective opinion on the financial statements.

Safeguards

As part of the firms safeguards, all audits are subject to a review by a second partner or independent reviewing officer. The review undertook all high risk areas, significant judgements, financial statements, audit plan and audit findings reports.

The following other services are provided by Bevan Buckland LLP and the relevant safeguard applied is:

Non audit service - Preparation of accounts in statutory format

- Any adjustments required were approved by management first prior to updating the statutory accounts

Non audit service - Corporation tax services

- Seperate Bevan Buckland LLP employees undertook this service, that are not involved in the audit engagement team

Appendix 2 - Strategic, Financial & Governance Health Check

Strategic	Current year	Prior year
Association has stated strategic objectives in trustees report	●	●
Association reports progress against these objectives	●	●
Are the activities of the association in line with the association's objects?	●	●
Association has a long term strategy/plan?	●	●
Association produces an annual budget?	●	●
Association reports against budget/strategy?	●	●

Financial	Current year	Prior year
Unrestricted surplus	●	●
Net current assets	●	●
Positive "free reserves"	●	●
Reserves policy in place	●	●
Reserves level in line with policy	●	●
What level of reserves are required?	●	●
Association has budgets in place for at least 12 months	●	●
Documented financial controls?	●	●

Risk	Current year	Prior year
Risk register in place	●	●
Risk Register regularly reviewed	●	●
Have all appropriate risks been identified?	●	●
Appropriate actions taken in response to risks identified	●	●

Governance	Current year	Prior year
Have the board held sufficient meetings in the year?	●	●
Is the financial reporting to the board clear, transparent, readily understood by all board members at each meeting?	●	●
Have the board reviewed their internal controls recently?	●	●
Have the board carried out a skills audit?	●	●
Are minutes of all board meetings kept?	●	●
Do you have procedures in place to deal with conflicts of interest?	●	●

Bevan Buckland LLP





Chartered accountants, tax and financial planners

“Your Local Financial Team”

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Bevan Buckland LLP
Ground Flood
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Dear Auditor

This representation letter is provided in connection with your audit of the financial statements of the association for the year ended 31 March 2022, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects, in accordance with applicable financial reporting framework.

We confirm that the following representations are made on the basis of enquiries of the executives, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you:

1. We have fulfilled our responsibilities as trustees under the Companies Act 2006 for preparing financial statements, in accordance with the applicable financial reporting framework.

We confirm that in our opinion the financial statements give a true and fair view and in particular that where any additional information must be disclosed in order to give a true and fair view that information has in fact been disclosed. We confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate, and we approve these accounts for the year ended 31 March 2022.

2. We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the association have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and board meetings, have been made available to you. We have given you unrestricted access to persons within the association in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
3. We acknowledge that it is a criminal offence to make a false statement in this regard, and where any director either makes a false statement; is aware that the statement is false; is reckless in preventing this statement; or fails to take reasonable steps to prevent the directors' report from being approved, we acknowledge that each director will be guilty of a criminal offence.
4. We confirm the association has satisfactory title to all assets and there are no liens or encumbrances on the assets, except for those disclosed in the financial statements.

5. We confirm that the methods, significant assumptions and data used by us in making accounting estimates, and the related disclosures, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

We confirm that we have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

We confirm that the association has no liabilities or contingent liabilities other than those disclosed in the financial statements.

6. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.
7. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.
8. We confirm that we are aware of the definition of a related party for the purpose of the accounting framework being applied in the preparation of the accounts.

We confirm that the related party relationships and transactions set out below are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.

<i>Party</i>	<i>Relationship</i>	<i>Nature of transaction</i>
Local Government Data Unit	Subsidiary	Various transactions as detailed further in the notes of the accounts

9. We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework.
10. We confirm that the association neither had, at any time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the charity) for executives, nor provided guarantees of any kind on behalf of the executives.

11. We confirm that the association has not contracted for any capital expenditure other than as disclosed in the financial statements.
12. We confirm that the association has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
13. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the association conducts its activities and which are central to the association's ability to conduct its activities.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the organisation.

There have been no deficiencies in internal control of which we are aware.

15. We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by employees, former employees, analysts, regulators or others.
16. We confirm that, in our opinion, the association's financial statements should be prepared on the going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the association's needs. In reaching this conclusion, we have taken into account all relevant matters of which we are aware, and have considered a period of at least one year from the date on which the financial statements will be approved.
17. We confirm that in our opinion the effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.
18. We confirm that all grants and other income, including those subject to special terms or conditions or received for restricted purposes, have been notified to you. There have been no breaches of terms or conditions during the period regarding the application of such income.
19. We confirm the following specific representations made to you during the course of your audit relating to
 - Income received in advance but unspent at 31 March 2022 amounted to £3,424,765
 - We agree with the assumptions used by the Actuary for the purposes of the pension liability

- We confirm that all grant debtors outstanding at the year end will be received and that no provision should be made against these and no amounts are repayable to funders

20. We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:

- so far as each director is aware, there is no relevant audit information of which you as auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that you are aware of that information.

21. We acknowledge that it is a criminal offence to knowingly or recklessly make you as an auditor, a statement (oral or written) that conveys, or purports to convey, information or explanations that you require in your capacity as auditor, or are entitled to require, that is misleading, false or deceptive in a material particular.

Yours faithfully,

.....

Signed on behalf of the board of trustees

Trustee.....

Date.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Ground Floor, Cardigan House,
Castle Court, Swansea Enterprise Park,
Swansea
SA7 9LA

WELSH LOCAL GOVERNMENT ASSOCIATION

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**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his strategic report for the year ended 31 March 2022.

REVIEW OF BUSINESS

The WLGA is rooted in the belief that public services should be delivered through a democratic framework of local accountability and the conviction that local government is best placed to make decisions about how local services are organised, delivered and managed. Never has this been more evident than during the recent period of unprecedented global crises.

The WLGA's work during 2021-22 has been dominated by the demands of extraordinary international crises. Covid-19 has again overshadowed the work of the WLGA for most of 2021-22 as it has for the since its emergence in early 2020. Even though vaccines have helped to ease the pandemic, the pressure on council services and the work of the WLGA has continued. At the same time, the war in Ukraine and the ensuing global economic crisis has presented enormous challenges and the economic and financial impact of Brexit continues to be felt.

The pandemic has demonstrated the importance of local democracy and local delivery experience and operational expertise. Councils have demonstrated that they are uniquely placed at the heart of their communities and public service delivery and are invariably the first port of call for the most vulnerable or those in need of support or assurance.

Councils have demonstrated flexibility, innovation, resilience and responsiveness and the crisis demonstrated councils' ability to respond irrespective of scale and reaffirmed the WLGA's stance on the importance of subsidiarity and localism, with elected members and officers rooted in their local communities.

Throughout the pandemic, the WLGA has sought to provide an interface between leaders and cabinet members and Ministers, sharing information and intelligence, providing a sounding board for approaches and escalating local issues of concern.

Negotiating the local government revenue and capital settlements continue to be a big part of the WLGA's work. During the past year, we undertook powerful and consistent evidence-based lobbying to show the value of local services. This contributed to one of the best settlements since devolution, with an increase in RSG of £438m or 9.4%. Core funding for local government topped £5 billion for the first time ever and is £1 billion higher, in cash terms, than the 2017-18 baseline at start of the term.

With persistent lobbying by the WLGA, the Welsh Government has produced a multiyear settlement providing indicative allocations of an additional £177m (3.5%) in 2023-24 and £128m (2.4%) in 2024-25. This will take core funding to £5.4 billion in 2024-25, some £1.3 billion higher than it was at the start of this term.

For the first time in nearly 10 years, the settlement outcomes in both 2020-21 and 2021-22 significantly addressed the evidenced cost pressures set out to the Finance Sub-Group. The 2021-22 settlement has also been topped up with an additional £60m and with the help of Treasurers, Leaders made a strong case for a £50m fund to address winter pressures and social care overspends.

The operation of the hardship fund in Wales differed from elsewhere in the UK and during 2020-21, in the first full year of the pandemic, led to an additional £400m being made available for pressures and £190m for lost income. The available budget for 2021-22 was £368m. As a claims-based scheme, the fund ensured that funding went to those authorities in most in need. The scheme provided funding for income lost and additional pressures and grew from an initial £30m fund in response to requests from WLGA leaders.

In addition to the hardship fund, the Welsh Government has provided just over £53m in support of the pressures councils have faced over the past two years due to reduced council tax collection rates and larger numbers of Council Tax Reduction Scheme (CTRS) claimants. The funding has come with maximum flexibility.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT.)

The WLGA has worked closely with the Welsh Government and a wide range of other partners throughout the Covid-19 and Ukraine crises and the scale and scope of political engagement between local and central government in Wales has been a key feature of recent years. The WLGA helped create a relationship of partnership and mutual respect with the Welsh Government during the Covid period and this has been sustained through the Ukraine and cost of living crises.

Engagement with Ministers and the Welsh Government has been intense but proportionate and almost always productive and constructive. Local Government and Finance Minister Rebecca Evans continued to meet local government leaders frequently on a regular basis and facilitated opportunities for other ministers to join those meetings as appropriate, and when required. This innovative development was quickly recognised as a successful and central feature of the response phase. In addition, the WLGA Leader was invited to join Welsh Government Cabinet meetings as and when appropriate.

Regular engagement with ministers in health and social care, education, and the economy, has also been a feature of the last year. Increasing demand for services, across both Adults and Children's Services, with increased complexity of cases and support packages required, along with workforce challenges and funding levels that have not kept pace with demand, all these issues have been key challenges facing social care services over the past term and key areas of activity for the WLGA.

The Covid-19 pandemic, while hugely challenging for social care staff and those in receipt of services, truly demonstrated the real value and worth of social care and increased public understanding of the roles social care undertake in supporting vulnerable people. Ensuring staff were protected with the necessary PPE, advising on testing regimes for the workforce and residential care residents, developing and supporting implementation of the shielding scheme and inputting to the development of policy and guidance were areas of work WLGA engaged with during this time, supporting the workforce to undertake their roles safely.

Brexit remained a feature of the WLGA's work during 2021-22. An extensive £1.2m support programme was secured by WLGA to help local authorities to prepare for the UK's momentous exit from the EU. We worked intensively with UK Government, Welsh Government, and regional partnerships on replacement EU funding to maximise potential of the Shared Prosperity Fund in Wales and avoid gaps in provision.

The WLGA's partnership with the Welsh Government to deliver sector-led improvement support continued to flourish during the year as did the work of the Digital Team.

The WLGA's structure and work programme reflect these changing and uncertain times. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities. The WLGA has however reinitiated the implementation of organisational changes that were begun before the pandemic, which sought to reform and refresh the organisation in preparedness for the establishment of the new Association for the new municipal term from May 2022.

The WLGA continued reviewing organisational and HR policies and new WLGA branding was introduced in 2021-22 in advance of a new website to support our communications and public affairs activities.

In late 2021, the WLGA moved to new, modern offices at One Canal Parade co-locating with public service partners. The new office promotes and supports a culture of collaboration and agile working and will deliver annual savings and a significantly reduced carbon footprint, incorporating recycled furniture through local suppliers and community-owned enterprises.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT.)

We have adopted new ways of working, reflecting the approaches of councils by moving to remote and recently hybrid working. Working with partner authorities, we promoted and pioneered the approach to bilingual online meetings, including transition from Teams to Zoom and we are currently working with Microsoft in the development of simultaneous interpretation via Teams.

Leaders and wider members became more engaged in and led WLGA business, with more regular leaders' meetings, the establishment of regular Group Leaders' meetings to discuss emerging issues or forthcoming business, and the increased involvement of Deputy Spokespersons in regular bilateral dialogue with Ministers as well as regular cabinet member meetings to extend the engagement.

We have continued to engage with wider elected members, through a range of regular cabinet member networks, training and development sessions, good practice seminars.

PRINCIPAL RISKS AND UNCERTAINTIES

The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.

During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.

The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.

The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru.

We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

FINANCIAL REVIEW FOR THE YEAR

The WLGA collects subscriptions from its members. In 2021-22 subscriptions were increased by 1.4% to £2.139m. Overall subscriptions amount to £2.379m when the LGA share of the subscription is added. Since 2009-10, subscription income has fallen by 23%, or just under a quarter, in real terms.

The Association also receives grant income from the Welsh Government and other bodies for specific activities supporting council functions. In 2021-22 the Association's grant income increased by £4.5m in comparison with the previous financial year, taking the total to an historic high of £33.6m. Apart from the RSG top slices, income comes from nearly 30 different grant schemes. Some of the largest such as the £10m Independent Living Grant are passported straight to councils. Full details of Welsh Government and other grants can be found on page 20

In 2021-22, the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show, LGA Employment services, and a number of national social care functions that are set out on page 22.

The Association shows a deficit of £395,377 for 2021-22 compared to a deficit of £334,604 in previous reporting period. This is due to a higher than anticipated overspend in 21-22 and the accounting treatment of the pensions. A breakdown is shown on page 30.

GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,270,270. The primary reason for the Association having negative reserves is the long-term pension liability of £8,277,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. As noted in the previous section, we expect to see the results of the LGPS triennial revaluation later this year which may impact on expenditure if a decision is made to increase employer contributions.

Excluding the pension deficit, the Association has reserves of £4,006,730 equivalent to the net current assets of the Association. We will work up a reserves policy with the Audit Committee, that will set a target for reserves of between 80% to 100% of net income. This will be subject to the view of the Audit Committee.

In conclusion, even though the financial position shows a negative reserve position at the year end, the Chief Executive is confident that the Association can continue as a going concern for the foreseeable future.

ON BEHALF OF THE MEMBERS

.....
PRESIDING OFFICER - CLLR HUW DAVID

DATE.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his report with the financial statements of the Association for the year ended 31 March 2022.

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable him to ensure that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

CHIEF EXECUTIVE'S CERTIFICATE

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2022 contain a full record of the financial results for the year.

AUDITORS

The auditors, Bevan Buckland LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

The report of the auditors is attached to this financial report.

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

4TH FLOOR ONE CANAL PARADE,
DUMBALLS ROAD,
CARDIFF
CF10 5BF

.....
DATE

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Opinion

We have audited the financial statements of Welsh Local Government Association for the year ended 31 March 2022 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of cashflows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Association's requirements

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to note 23 in the financial statements, which indicates that the Association is insolvent with negative reserves of £4,270,270. This is primarily due to the long term pension scheme deficit of £8,277,000 in which the Association participates. This deficit is an estimate of the expected shortfall of assets over liabilities in the pension scheme and as such the liability is not expected to crystallise in the short term. This indicates that a material uncertainty exists that may cast significant doubt on the Association's long term ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information in the Report of the Chief Executive, but does not include the financial statements and our Report of the Auditors thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Chief Executive.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Chief Executive's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of director

As explained more fully in the Statement of Chief Executive's Responsibilities set out on page 4, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Organisation's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Organisation. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date:

WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Project Income	3	33,557,833	29,090,807
Other Income	4	546,246	645,520
		<u>36,483,266</u>	<u>32,083,345</u>
EXPENDITURE			
Staff Costs	5	4,222,381	3,852,791
Pension scheme charge	6	1,195,000	811,000
Office Accommodation	7	466,359	572,318
Office Services	8	310,530	138,027
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	2,152,874	2,115,728
Welsh Government Other Grant Costs	11	27,563,009	23,971,490
Other Expenses	12	681,752	748,653
Depreciation	13	50,000	
		<u>36,672,338</u>	<u>32,242,174</u>
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
		<u>36,881,338</u>	<u>32,422,174</u>
OPERATING DEFICIT FOR THE YEAR		(398,072)	(338,829)
Interest Receivable		2,695	4,225
DEFICIT ON ORDINARY ACTIVITIES	20	(395,377)	(334,604)
Transfers to/(from) Designated reserves	15	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		<u>(395,377)</u>	<u>(334,604)</u>

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 31, note 20.

None of the Association's activities were acquired or discontinued during either of the above two years.

The notes on pages 17 - 31 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Notes	2022 £	2021 £
FIXED ASSETS			
Leasehold Improvements	13	450,000	-
CURRENT ASSETS			
Debtors	14	5,676,665	10,001,345
Cash at Bank and in hand		<u>9,774,711</u>	<u>10,857,897</u>
		15,451,376	20,859,242
CURRENT LIABILITIES	15	<u>11,894,646</u>	<u>17,296,135</u>
NET CURRENT ASSETS		3,556,730	3,563,107
TOTAL ASSETS EXCLUDING PENSION LIABILITY		<u>4,006,730</u>	<u>3,563,107</u>
PENSION LIABILITY	20	(8,277,000)	(10,262,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,270,270)</u>	<u>(6,698,893)</u>
FINANCED BY:			
Reserves	16	(4,270,270)	(6,698,893)
		<u>(4,270,270)</u>	<u>(6,698,893)</u>

Approved by the Association and signed on its behalf on

.....

.....
PRESIDING OFFICER - CLLR HUW DAVID

The notes on pages 17 - 31 form part of these financial statements.

WELSH LOCAL GOVERNMENT ASSOCIATION
OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2022

	2022 £	2021 £
Deficit for the financial year	(395,377)	(334,604)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	1,879,000	3,399,000
Remeasurements on liabilities	945,000	(5,439,000)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME	<u>2,824,000</u>	<u>(2,040,000)</u>
FOR THE YEAR, NET OF INCOME TAX		
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME	<u>2,428,623</u>	<u>(2,374,604)</u>
FOR THE YEAR	<u><u>2,428,623</u></u>	<u><u>(2,374,604)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Retained earnings £	Total equity £
Balance as 1 April 2020	(4,324,289)	(4,324,289)
Changes in Equity		
Total comprehensive income	<u>(2,374,604)</u>	<u>(2,374,604)</u>
Balance at 31 March 2021	<u>(6,698,893)</u>	<u>(6,698,893)</u>
Changes in Equity		
Total comprehensive income	<u>2,428,623</u>	<u>2,428,623</u>
Balance at 31 March 2022	<u>(4,270,270)</u>	<u>(4,270,270)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	<u>(585,881)</u>	<u>5,487,666</u>
Net cash from operating activities		<u>(585,881)</u>	<u>5,487,666</u>
Cash flows from investing activities			
Interest received		2,695	4,225
Capital expenditure		(500,000)	-
Net cash from investing activities		<u>(1,083,186)</u>	<u>5,491,891</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>10,857,897</u>	<u>5,366,006</u>
Cash and cash equivalents at end of year	2	<u><u>9,774,711</u></u>	<u><u>10,857,897</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

1 RECONCILIATION OF OPERATING DEFICIT TO CASH GENERATED FROM OPERATIONS

	2022 £	2021 £
Operating Deficit for the year	(398,072)	(338,829)
Depreciation Charges	50,000	-
Pension adjustment	1,195,000	811,000
Pension contributions paid	(565,000)	(476,000)
Other finance income/costs	209,000	180,000
	<u>490,928</u>	<u>176,171</u>
(Increase) / Decrease in debtors	4,324,680	(8,395,859)
Increase/ (Decrease) in creditors	(5,401,489)	13,707,354
Cash generated from operations	<u><u>(585,881)</u></u>	<u><u>5,487,666</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022	31.03.22 £	01.04.21 £
Cash and cash equivalents	<u><u>9,774,711</u></u>	<u><u>10,857,897</u></u>
Year ended 31 March 2021	31.03.21 £	01.04.20 £
Cash and cash equivalents	<u><u>10,857,897</u></u>	<u><u>5,366,006</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company. The accounts present information solely about the Association as an individual undertaking and not about its group.

Turnover/Income

All income is included in the income and expenditure account when the Association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates;

Grant income, where related to performance and specific deliverables, are accounted for as the Association earns the right to consideration by its performance;

Secondment recharges relate to income received for employees seconded to other organisations during the period.

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Fixed Assets

The association has capitalised improvements made on the leasehold property during the year. Depreciation has been calculated on a straight line basis over the term of leasehold.

The Association does not capitalise computer equipment but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £3,788 (2021 £6,425).

Deferred Income

Income received which relates to projects is released to the income and expenditure account to match the expenditure incurred by the projects. This gives rise to a deferred income figure which is shown as a short term creditor in the accounts.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Going Concern

After reviewing the Association's forecasts and projections, the members have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements

Cash at Bank and in Hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2021/22. Subscriptions are paid on the basis of a formula agreed by the Shadow Association in March 1996. The three national parks authorities and the three fire and rescue authorities are associate members.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3 WELSH GOVERNMENT AND OTHER PROJECT INCOME	2022	2021
	£	£
RSG Top Slice Retained: Welsh Local Government Association	968,618	923,600
RSG Top Slice: National Eisteddfod	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400
RSG Top Slice: Royal Welsh Agricultural Society	81,800	80,200
RSG Top Slice: Data Cymru	438,555	422,500
RSG Top Slice: National Adoption Service	473,000	459,200
RSG Top Slice: Looked After Children	400,000	460,000
RSG Top Slice: LGA Workforce support	200,000	200,000
RSG Top Slice - Reflect Project Newport	60,000	-
RSG Top Slice: Food in Schools	199,989	170,607
National Exercise Referral Scheme	165,367	154,920
Waste Improvement	339,781	320,760
National Autism Team	632,123	599,117
Education Training Standards Wales	83,145	42,328
Supporting Service Children in Wales	370,807	286,830
Regional Skills Partnership	806,683	526,497
Armed Forces Free Swimming	28,716	6,465
Resilience and Safety	135,720	94,348
Unaccompanied Asylum Seeking Children	390,411	10,134
Horizon 2020	21,376	58,288
Combined Education Grant	8,987,779	1,021,690
Local Authority Social Services	42,000	143,000
National Commissioning Board	187,587	155,544
Food and Fun (School Holiday Enrichment Programme)	2,610,535	105,759
Wales Strategic Migration Partnership	259,158	238,161
EU Transition Funding	1,119,400	1,244,311
Unadopted Roads Project	79,918	24,302
Life Long Learning Grant	68,720	204
Safer Communities project	-	39,754
Taxi Licencing Project	75,000	78,445
EU Transition Food Provision	-	2,000,000
Homelessness EUTF	-	151,305
Armed Forces Covenant	-	11,637
Armed Forces Liaison Officer	299,000	250,000
NRW Green Recovery	-	4,201,955
Decarb support programme	117,014	6,600,000
Digital team	992,375	262,740
Improvement Support Programme	519,608	149,222
Education Support Covid-19	16,992	7,013,172
All Wales SCN	233,343	94,512
Household Support	1,500,000	-
Independent Living	10,000,000	-
Food in Schools	154,213	-
	<u>33,557,833</u>	<u>29,090,807</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

4 OTHER INCOME	2022	2021
Conference Fees, Charges and Training Events	450	2,083
Policy	13,128	51,808
ADEW Support Officer	40,000	40,000
Directors of Public Protection	91,640	77,718
Principal Youth Officers Group	-	9,439
SWT Policy Officer	30,000	-
Rental income	44,000	43,500
Secondment recharges	327,028	420,972
	<u>546,246</u>	<u>645,520</u>

5 STAFF COSTS

At the year end, the Association's Secretariat was staffed with 83 (2021 - 70) employees.

	2022	2021
Total staff costs were as follows:	£	£
Salaries (including redundancy & early retirement costs)	3,748,586	3,471,027
Employers National Insurance	369,903	335,765
Training	84,542	6,711
Travel and Subsistence	6,030	7,965
Recruitment and Advertising	13,320	31,323
	<u>4,222,381</u>	<u>3,852,791</u>

Included in the above staff costs are early retirement costs of £29,012 (2021 £15,518) and redundancy/serverance costs of £64,822 (2021: NIL)

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £154,099 (2021 - £168,116), which can be analysed as follows:-

	2022	2021
	£	£
Gross Salary	118,126	128,865
Employer's National Insurance	15,183	16,571
Employer's Superannuation	20,790	22,680
	<u>154,099</u>	<u>168,116</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

6 PENSION INCOME & EXPENDITURE CHARGE	2022	2021
	£	£
Current service cost	1,157,000	797,000
Past service costs	22,000	-
Curtailments	-	-
Administration expenses	16,000	14,000
	<u>1,195,000</u>	<u>811,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2022, the Association occupied 4th Floor, One Canal Parade, Dumballs Road, Cardiff under a tenancy agreement from Cardiff and Vale College Further Education Corporation of Colcot Road, Barry. The rent payable is £141,375 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 OFFICE SERVICES

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £8,500 (2021 - £8,200). Also included are amounts relating to non audit fees of £5,595 (2021 - £4,000).

9 MEMBERS' SERVICES

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Executive Board and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 RSG TOP SLICE COSTS	2022	2021
	£	£
RSG Top Slice: National Eisteddfod	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400
RSG Top Slice: Royal Welsh Agricultural Society	81,800	80,200
RSG Top Slice: Data Cymru	438,555	422,500
RSG Top Slice: National Adoption Service	473,419	463,728
RSG Top Slice: Looked after children	460,000	460,000
RSG Top Slice: LGA Workforce Support	200,000	200,000
	<u>2,152,874</u>	<u>2,115,728</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11 WELSH GOVERNMENT OTHER PROJECT COSTS (excluding employee costs)

	2022	2021
	£	£
Improvement fund	-	-
Waste Improvement	55,251	38,299
National Exercise Referral Scheme	41,464	27,373
National Autism Team	188,580	139,498
Education Training Standards Wales	61,505	23,370
Supporting Service Children in Education	304,495	219,566
Regional Skills Partnership	806,683	526,497
Armed Forces Free Swimming	28,716	6,465
Resilience and Safety	69,377	26,872
Food and Fun (School Holiday Enrichment Programme)	2,507,719	2,275
Unaccompanied Asylum Seeking Children	390,411	10,134
Wales Strategic Migration Partnership	22,683	17,280
Local Authority Social Services	42,000	175,004
National Commissioning Board	27,711	34,122
Armed Forces Covenant	-	637
Combined Education Grant	8,987,779	1,026,690
Life long learning grant	1,720	204
Unadopted Roads Project	31,464	4,062
EU Transition funding	1,053,683	1,145,113
EU Transition Food Provision	-	2,000,000
Homelessness EUTF	-	151,305
Armed Forces Liaison Officer	299,000	250,000
Food in Schools	219,638	69,102
Safer Communities project	-	663
Horizon 2020	3,598	1,191
Taxi Licence Project	883	866
NRW Green Recovery	-	4,201,955
Decarb support programme	76,576	6,600,000
Digital Team	448,593	111,613
Improvement Support Programme	336,785	145,755
Education Support Covid-19	16,992	6,981,520
All Wales SCN	39,703	34,059
Household Support	1,500,000	-
Independent Living	10,000,000	-
	<u>27,563,009</u>	<u>23,971,490</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12 OTHER EXPENSES	2022 £	2021 £
Information communication technology	27,967	83,632
Website expenses	3,500	3,519
Research	-	2,250
Translation costs	13,041	24,584
Data Cymru (formerly Local Government Data Unit - Wales)	70,000	70,000
Professional and Consultancy fees	126,593	150,170
Conferences & events	150	-
Local Government Association	239,720	235,020
Directors of Public Protection	91,865	97,492
Principal Youth Officers Group	5,412	64
Miscellaneous expenses	30,264	9,259
Project costs	73,240	72,663
	<u>681,752</u>	<u>748,653</u>

13 TANGIBLE FIXED ASSETS

	Leasehold Property Improvements £	Total £
Cost		
At 1 April 2021	-	-
Additions	500,000	500,000
Disposals	-	-
Reclassification	-	-
At 31 March 2022	<u>500,000</u>	<u>500,000</u>
Depreciation		
At 1 April 2021	-	-
Charge for the year	50,000	50,000
Disposals	-	-
Reclassification	-	-
At 31 March 2022	<u>50,000</u>	<u>50,000</u>
Net book value		
At 31 March 2022	450,000	450,000
At 31 March 2021	-	-

14 DEBTORS	2022 £	2021 £
Trade Debtors	228,029	172,134
Grant Debtors	5,211,230	9,625,167
Sundry Debtors	1,095	62,290
VAT	236,311	141,754
	<u>5,676,665</u>	<u>10,001,345</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

15 CREDITORS	2022 £	2021 £
Trade Creditors	6,051,426	5,113,340
Accruals	2,418,455	9,646,411
Deferred Income	3,424,765	2,536,384
	<u>11,894,646</u>	<u>17,296,135</u>

Included within creditors due within one year are amounts due to the following

	2022 £	2021 £
Local Government Data Unit - Wales - (Data Cymru)	225,626	-
	<u>225,626</u>	<u>-</u>

16 RESERVES	General £	Designated £	Total £
Balance brought forward as previously stated	(6,698,893)	-	(6,698,893)
Deficit for the year	(395,377)	-	(395,377)
Remeasurement (liabilities & assets)	2,824,000	-	2,824,000
Transfers	-	-	-
	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>
At 31 March 2022			

17 OPERATING LEASE AND FINANCIAL COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2022	2021
Land and Buildings		
Within one year	-	-
Between one and five years	565,500	424,125
More than five years	848,250	989,625
	<u>1,413,750</u>	<u>1,413,750</u>

The Association has entered into a financial commitment with Cardiff County Council to pay £83,574 for Information and Communication Technology services up to 31 March 2023.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

18 SUBSIDIARY COMPANIES

Data Cymru (formerly Local Government Data Unit - Wales)

	2022	2021
	£	£
Deficit for the year	<u>397,595</u>	<u>(199,083)</u>
Capital and Reserves (after pension creditor)	<u>(374,300)</u>	<u>(886,705)</u>

Reserves before the pension deficit amounted to £915,700 (2021 £913,295). The pension deficit is not expected to crystallise in the short or medium term.

Included in creditors in the balance sheet are amounts owed to Data Cymru of £173,565 (2021 - NIL).

During the year the Association was charged £620,344 (2021 - £525,277) by Data Cymru in the normal course of business.

During the year the Association paid a grant over to Data Cymru amounting to £438,555 (2021 - £422,500)

The results of the Data Cymru have not been consolidated into these financial statements. The results shown within these financial statements are that of the Welsh Local Government Association only.

19 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME

Balance sheet items	2022 £000s	2021 £000s
Market Value of Assets	28,683	25,973
Liabilities	36,960	36,235
(Deficit)	<u>(8,277)</u>	<u>(10,262)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2022		Assets at 31 March 2021	
	£000s	%	£000s	%
Equities	14,256	49.7	13,272	51.1
Government Bonds	2,696	9.4	338	1.3
Other Bonds	975	3.4	2,987	11.5
Property	2,754	9.6	2,338	9.01
Cash/Liquidity	602	2.1	571	2.2
Other	7,400	25.8	6,467	24.9
	<u>28,683</u>		<u>25,973</u>	

Movement in Deficit	2022 £000s	2021 £000s
(Deficit) at beginning of year	(10,262)	(7,707)
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Employer Contributions	565	476
Net interest on pension liabilities	(209)	(180)
Administration expense	(16)	(14)
Effects of curtailments	-	-
Remeasurements on liabilities & assets	2,824	(2,040)
(Deficit) at End of Year	<u>(8,277)</u>	<u>(10,262)</u>

Analysis of Pension Scheme Adjustment	2022 £000s	2021 £000s
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Curtailments	-	-
Employer Contributions	565	476
Net Interest/Return on Assets	(209)	(180)
Administration expense	(16)	(14)
Net Profit / (Loss)	<u>(839)</u>	<u>(515)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME (CONT.)

Analysis of Net Interest/Return on Assets	2022 £000s	2021 £000s
Interest on plan assets	549	526
Interest on Pensionable Liabilities	(758)	(706)
Net Profit / (Loss)	<u>(209)</u>	<u>(180)</u>

Main Assumptions (cont.)

Financial:	2022	2021
CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Discount rate	2.8%	2.1%

Split of assets between investment categories:

Equities	49.7%	51.1%
Government Bonds	9.4%	1.3%
Other Bonds	3.4%	11.5%
Property	9.6%	9.0%
Cash/Liquidity	2.1%	2.2%
Other	25.8%	24.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

20 PENSION SCHEME (CONT.)

	2022	2021
Post retirement mortality assumptions		
	S3PA CMI_2018_(1.75%)	
Non-retired members	(131% males, 106% females)	S3PA CMI_2018_(1.75%) (131% males, 106% females)
	S3PA CMI_2018_(1.75%)	
Retired members	(124% males, 104% females)	S3PA CMI_2018_(1.75%) (124% males, 104% females)
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.4 (25.9) years	22.6 (26) years
- current pensioner age 65	20.9 (24) years	21 (24.1) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

21 EFFECT OF PENSION SCHEME ON THE DEFICIT FOR THE YEAR

		2022 £	2021 £
Deficit per accounts		(395,377)	(334,604)
PENSION SCHEME INCLUDED IN THE INCOME & EXPENSE ACCOUNT			
Pension adjustment	6	1,195,000	811,000
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
Employers Pension contributions eliminated as a result of Pension scheme		(565,000)	(476,000)
ADJUSTED SURPLUS		<u>443,623</u>	<u>180,396</u>
Transfer from / (to) designated reserves		-	-
		<u><u>443,623</u></u>	<u><u>180,396</u></u>

22 GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,270,270. The primary reason for the Association having negative reserves is the long term pension deficit of £8,277,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Association pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the Association has reserves of £4,006,730. This gives the Chief Executive confidence that the Association can continue as a going concern for the foreseeable future.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Ground Floor, Cardigan House,
Castle Court, Swansea Enterprise Park,
Swansea
SA7 9LA

WELSH LOCAL GOVERNMENT ASSOCIATION

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**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS

The WLGA is rooted in the belief that public services should be delivered through a democratic framework of local accountability and the conviction that local government is best placed to make decisions about how local services are organised, delivered and managed. Never has this been more evident than during the recent period of unprecedented global crises.

The WLGA's work during 2021-22 has been dominated by the demands of extraordinary international crises. Covid-19 has again overshadowed the work of the WLGA for most of 2020-21 as it has for the since its emergence in early 2020. Even though vaccines have helped to ease the pandemic, the pressure on council services and the work of the WLGA has continued. At the same time, the war in Ukraine and the ensuing global economic crisis has presented enormous challenges and the economic and financial impact of Brexit continues to be felt.

The pandemic has demonstrated the importance of local democracy and local delivery experience and operational expertise. Councils have demonstrated that they are uniquely placed at the heart of their communities and public service delivery and are invariably the first port of call for the most vulnerable or those in need of support or assurance.

Councils have demonstrated flexibility, innovation, resilience and responsiveness and the crisis demonstrated councils' ability to respond irrespective of scale and reaffirmed the WLGA's stance on the importance of subsidiarity and localism, with elected members and officers rooted in their local communities.

Throughout the pandemic, the WLGA has sought to provide an interface between leaders and cabinet members and Ministers, sharing information and intelligence, providing a sounding board for approaches and escalating local issues of concern.

Negotiating the local government revenue and capital settlements continue to be a big part of the WLGA's work. During the past year, we undertook powerful and consistent evidence-based lobbying to show the value of local services. This contributed to one of the best settlements since devolution, with an increase in RSG of £438m or 9.4%. Core funding for local government topped £5 billion for the first time ever and is £1 billion higher, in cash terms, than the 2017-18 baseline at start of the term.

With persistent lobbying by the WLGA, the Welsh Government has produced a multiyear settlement providing indicative allocations of an additional £177m (3.5%) in 2023-24 and £128m (2.4%) in 2024-25. This will take core funding to £5.4 billion in 2024-25, some £1.3 billion higher than it was at the start of this term.

For the first time in nearly 10 years, the settlement outcomes in both 2020-21 and 2021-22 significantly addressed the evidenced cost pressures set out to the Finance Sub-Group. The 2021-22 settlement has also been topped up with an additional £60m and with the help of Treasurers, Leaders made a strong case for a £50m fund to address winter pressures and social care overspends.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT)

The operation of the hardship fund in Wales differed from elsewhere in the UK and during 2020-21, in the first full year of the pandemic, led to an additional £400m being made available for pressures and £190m for lost income. The available budget for 2021-22 was £368m. As a claims-based scheme, the fund ensured that funding went to those authorities in most in need. The scheme provided funding for income lost and additional pressures and grew from an initial £30m fund in response to requests from WLGA leaders.

In addition to the hardship fund, the Welsh Government has provided just over £53m in support of the pressures councils have faced over the past two years due to reduced council tax collection rates and larger numbers of Council Tax Reduction Scheme (CTRS) claimants. The funding has come with maximum flexibility.

The WLGA has worked closely with the Welsh Government and a wide range of other partners throughout the Covid-19 and Ukraine crises and the scale and scope of political engagement between local and central government in Wales has been a key feature of recent years. The WLGA helped create a relationship of partnership and mutual respect with the Welsh Government during the Covid period and this has been sustained through the Ukraine and cost of living crises.

Engagement with Ministers and the Welsh Government has been intense but proportionate and almost always productive and constructive. Local Government and Finance Minister Rebecca Evans continued to meet local government leaders frequently on a regular basis and facilitated opportunities for other ministers to join those meetings as appropriate, and when required. This innovative development was quickly recognised as a successful and central feature of the response phase. In addition, the WLGA Leader was invited to join Welsh Government Cabinet meetings as and when appropriate.

Regular engagement with ministers in health and social care, education, and the economy, has also been a feature of the last year. Increasing demand for services, across both Adults and Children's Services, with increased complexity of cases and support packages required, along with workforce challenges and funding levels that have not kept pace with demand, all these issues have been key challenges facing social care services over the past term and key areas of activity for the WLGA.

The Covid-19 pandemic, while hugely challenging for social care staff and those in receipt of services, truly demonstrated the real value and worth of social care and increased public understanding of the roles social care undertake in supporting vulnerable people. Ensuring staff were protected with the necessary PPE, advising on testing regimes for the workforce and residential care residents, developing and supporting implementation of the shielding scheme and inputting to the development of policy and guidance were areas of work WLGA engaged with during this time, supporting the workforce to undertake their roles safely.

Brexit remained a feature of the WLGA's work during 2021-22. An extensive £1.2m support programme was secured by WLGA to help local authorities to prepare for the UK's momentous exit from the EU. We worked intensively with UK Government, Welsh Government, and regional partnerships on replacement EU funding to maximise potential of the Shared Prosperity Fund in Wales and avoid gaps in provision.

The WLGA's partnership with the Welsh Government to deliver sector-led improvement support continued to flourish during the year as did the work of the Digital Team.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

REVIEW OF BUSINESS (CONT)

The WLGA's structure and work programme reflect these changing and uncertain times. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities. The WLGA has however reinitiated the implementation of organisational changes that were begun before the pandemic, which sought to reform and refresh the organisation in preparedness for the establishment of the new Association for the new municipal term from May 2022.

The WLGA continued reviewing organisational and HR policies and new WLGA branding was introduced in 2021-22 in advance of a new website to support our communications and public affairs activities.

In late 2021, the WLGA moved to new, modern offices at One Canal Parade co-locating with public service partners. The new office promotes and supports a culture of collaboration and agile working and will deliver annual savings and a significantly reduced carbon footprint, incorporating recycled furniture through local suppliers and community-owned enterprises.

We have adopted new ways of working, reflecting the approaches of councils by moving to remote and recently hybrid working. Working with partner authorities, we promoted and pioneered the approach to bilingual online meetings, including transition from Teams to Zoom and we are currently working with Microsoft in the development of simultaneous interpretation via Teams.

Leaders and wider members became more engaged in and led WLGA business, with more regular leaders' meetings, the establishment of regular Group Leaders' meetings to discuss emerging issues or forthcoming business, and the increased involvement of Deputy Spokespersons in regular bilateral dialogue with Ministers as well as regular cabinet member meetings to extend the engagement.

We have continued to engage with wider elected members, through a range of regular cabinet member networks, training and development sessions, good practice seminars.

PRINCIPAL RISKS AND UNCERTAINTIES

The WLGA and local government continues to respond to changing circumstances and to deliver high quality services even at the time of crisis. As the cost-of living crisis follows the Covid-19 pandemic, Brexit, floods, and a decade of austerity, the local government community has had to rise to each of these challenges. The Association and local government have continued to deliver for the people and communities of Wales. These challenges and pressures are set to continue as the cost-of-living crisis and soaring inflation stretch communities to breaking point and present immense financial challenges. Whilst the WLGA is not a direct service provider, it is susceptible to the same pressures and risks to funding.

During 21-22, the Association moved to its new accommodation in One Canal Parade and simultaneously introduced a new Agile Working Policy. There will be continued opportunities for achieving better with flexible working and greater collaboration with other tenants in the building around corporate support functions. The ferocity of the cost-of-living crisis shows there is no let-up in future uncertainty and the WLGA must continue to adapt, as it has been for the last 25 years and to add value to the work of its member authorities and the reputation of the sector.

The detailed budget for 2022-23 was considered by the WLGA Council in March 2022 where a balanced position was presented. In future years, a modest surplus will be generated up to 2025-26 there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

PRINCIPAL RISKS AND UNCERTAINTIES (cont)

The WLGA spends a large proportion of its budget on staff, and this has increased with the expansion of grant funded teams coming into the organisation. These teams put increasing pressure on the WLGA's corporate functions, and we will continue to look for ways to share the full economic cost of these, in a fair and transparent way so that the subscriber is not subsidising these functions.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. During the next couple of years, the cost of the accommodation will stabilise around £280k to £290k and the full cost shared with the grant funded teams, Local Partnerships and Data Cymru

We are still in discussion with our former landlord on the extent of dilapidations for 3-8 Drake Walk and at the time of writing these are not concluded. A final area of uncertainty remains around the triennial revaluation of the Local Government Pension Scheme. As further detail is published at the end of this year, it may lead to an increase in the employer contributions for future years.

FINANCIAL REVIEW OF THE YEAR

The WLGA collects subscriptions from its members. In 2021-22 subscriptions were increased by 1.4% to £2.139m. Overall subscriptions amount to £2.379m when the LGA share of the subscription is added. Since 2009-10, subscription income has fallen by 23%, or just under a quarter, in real terms.

The Association also receives grant income from the Welsh Government and other bodies for specific activities supporting council functions. In 2021-22 the Association's grant income increased by £4.5m in comparison with the previous financial year, taking the total to an historic high of £33.6m. Apart from the RSG top slices, income comes from nearly 30 different grant schemes. Some of the largest such as the £10m Independent Living Grant are passported straight to councils. Full details of Welsh Government and other grants can be found on page 21.

In 2021-22, the Association provided funding from the Revenue Support Grant Top Slice of over £2.2m to support the activities of the National and Urdd Eisteddfodau, Data Cymru, the Royal Welsh Show, LGA Employment services, and a number of national social care functions that are set out on page 21.

The Group shows a deficit of £792,972 for 2021-22 compared to a deficit of £533,687 in previous reporting period. This is due to a higher than anticipated overspend in 21-22 and the accounting treatment of the pensions. A breakdown is shown on page 34.

GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,644,570. The primary reason for the Group having negative reserves is the long-term pension liability of £9,567,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the organisation pension scheme and as such the liability is not expected to crystallise in the short term. As noted in the previous section, we expect to see the results of the LGPS triennial revaluation later this year which may impact on expenditure if a decision is made to increase employer contributions.

Excluding the pension deficit, the Group has reserves of £4,922,430 equivalent to the net current assets of the Group. We will work up a reserves policy for approval by the Audit Committee, that will set a target for reserves of between 80% to 100% of net income. This will be subject to the view of the Audit Committee.

In conclusion, even though the financial position shows a negative reserve position at the year end, the Chief Executive is confident that the Group can continue as a going concern for the foreseeable future.

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2022**

The Chief Executive presents his report with the financial statements of the Consolidated accounts for the year ended 31 March 2022.

THE ASSOCIATION

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.

The aim of the Association is to promote, protect, support and develop democratic local government in Wales and in particular the interests of Welsh unitary authorities and Associate Organisations in membership. The Welsh Local Government Association is a fully autonomous body. It links to the wider UK scene through associate membership of the Local Government Association.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES

The Council requires the Chief Executive to prepare financial statements for each financial year which give a true and fair view of the state of affairs and of the income and expenditure and cash flows for that period. In preparing those financial statements the Chief Executive is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis.

The Chief Executive is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and to enable him to ensure that the financial statements comply with the Association's requirements. The Chief Executive is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WELSH LOCAL GOVERNMENT ASSOCIATION

On behalf of the Council of the Welsh Local Government Association, I hereby certify that to the best of my knowledge and belief, the financial statements for the year ended 31 March 2022 contain a full record of the financial results for the year.

AUDITORS

The report of the auditors is attached to this financial report.

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

.....
DATE

4TH FLOOR ONE CANAL PARADE,
DUMBALLS ROAD,
CARDIFF
CF10 5BF

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Opinion

We have audited the consolidated financial statements of Welsh Local Government Association (parent organisation) and its subsidiary (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Charity Income Statement, Consolidated Statement of Financial Position, Chairty Statement of Financial Position, Statement of Changes in Equity, Consolidated Statement of cashflow and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Parent & the Group's affairs as at 31 March 2022 and of its surplus/(deficit) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of sections 28,32 and 36 of the Trade Union and Labour Relations (Consolidation) Act 1992; and
- have been prepared in accordance with the requirements of the Association.

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to note 23 in the financial statements, which indicates that the group is insolvent with negative reserves of £4,644,570. This is primarily due to the long term pension scheme deficit of £9,567,000 in which the group participates. This deficit is an estimate of the expected shortfall of assets over liabilities in the pension scheme and as such the liability is not expected to crystallise in the short term. This indicates that a material uncertainty exists that may cast significant doubt on the group's long term ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information in the Report of the Chief Executive, but does not include the financial statements and our Report of the Auditors thereon.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Chief Executive.

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Chief Executive's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of director

As explained more fully in the Statement of Chief Executive's Responsibilities set out on page 4, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH LOCAL GOVERNMENT ASSOCIATION

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then, design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the Organisation's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Organisation. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF THE
WELSH LOCAL GOVERNMENT ASSOCIATION**

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP
Chartered Accountants
And Statutory Auditors
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date:

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Grant Income	3	33,881,152	29,460,017
Other Income	4	633,892	730,520
		<u>36,894,231</u>	<u>32,537,555</u>
EXPENDITURE			
Staff Costs	5	5,205,085	4,876,854
Pension charge	6	1,705,000	1,101,000
Office Accommodation	7	461,304	573,852
Office Services	8	338,087	147,927
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	1,714,319	1,693,228
Welsh Government Other Grant Costs	11	27,132,008	23,595,619
Other Expenses	12	788,210	843,297
Depreciation	13	66,452	11,523
		<u>37,440,898</u>	<u>32,875,467</u>
OTHER FINANCE INCOME/COSTS - PENSION LIABILITY			
Expected return on pension scheme assets		(689,000)	(526,000)
Interest on pension scheme liabilities		938,000	726,000
		<u>37,689,898</u>	<u>33,075,467</u>
OPERATING (DEFICIT) FOR THE YEAR		(795,667)	(537,912)
Interest Receivable		2,695	4,225
(DEFICIT) ON ORDINARY ACTIVITIES	22	(792,972)	(533,687)
Transfers to/(from) Designated reserves	16	-	-
(DEFICIT) AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		<u>(792,972)</u>	<u>(533,687)</u>

A note reconciling the movement of the deficit as a result of the pension liability adjustment can be found on page 34, note 22.

None of the Association's activities were acquired or discontinued during either of the above two years.

The notes on pages 17 - 34 form part of these financial statements.

WELSH LOCAL GOVERNMENT ASSOCIATION
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
INCOME			
Subscriptions	2	2,379,187	2,347,018
Project Income	3	33,557,833	29,090,807
Other Income	4	546,246	645,520
		<u>36,483,266</u>	<u>32,083,345</u>
EXPENDITURE			
Staff Costs	5	4,222,381	3,852,791
Pension scheme charge	6	1,195,000	811,000
Office Accommodation	7	466,359	572,318
Office Services	8	310,530	138,027
Member Services	9	26,645	25,742
Furniture and Equipment		3,788	6,425
RSG Top Slice Costs	10	2,152,874	2,115,728
Welsh Government Other Grant Costs	11	27,563,009	23,971,490
Other Expenses	12	681,752	748,653
Depreciation	13	50,000	
		<u>36,672,338</u>	<u>32,242,174</u>
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(549,000)	(526,000)
Interest on pension scheme liabilities		758,000	706,000
		<u>36,881,338</u>	<u>32,422,174</u>
OPERATING DEFICIT FOR THE YEAR		(398,072)	(338,829)
Interest Receivable		2,695	4,225
DEFICIT ON ORDINARY ACTIVITIES	22	(395,377)	(334,604)
Transfers to/(from) Designated reserves	16	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		(395,377)	(334,604)

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 34, note 22.

None of the Association's activities was acquired or discontinued during either of the above two years.

The notes on pages 17 - 34 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2022**

	2022	2021
	£	£
WELSH LOCAL GOVERNMENT ASSOCIATION		
Group deficit for the financial year	(792,972)	(533,687)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	1,999,000	4,859,000
Remeasurements on liabilities	1,735,000	(7,409,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>3,734,000</u>	<u>(2,550,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>2,941,028</u></u>	<u><u>(3,083,687)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

		GROUP		Association	
	Notes	2022 £	2021 £	2022 £	2021 £
FIXED ASSETS					
Tangible assets	13	474,388	15,447	450,000	-
CURRENT ASSETS					
Debtors	14	5,732,682	10,026,128	5,676,665	10,001,345
Cash at Bank and in hand		<u>10,703,906</u>	<u>12,021,132</u>	<u>9,774,711</u>	<u>10,857,897</u>
		16,436,588	22,047,260	15,451,376	20,859,242
CURRENT LIABILITIES	15	<u>11,988,546</u>	<u>17,586,305</u>	<u>11,894,646</u>	<u>17,296,135</u>
NET ASSETS EXCLUDING PENSION LIABILITY		4,922,430	4,476,402	4,006,730	3,563,107
PENSION LIABILITY	21	(9,567,000)	(12,062,000)	(8,277,000)	(10,262,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,644,570)</u>	<u>(7,585,598)</u>	<u>(4,270,270)</u>	<u>(6,698,893)</u>
FINANCED BY:					
Reserves	16	(4,644,570)	(7,585,598)	(4,270,270)	(6,698,893)
		<u>(4,644,570)</u>	<u>(7,585,598)</u>	<u>(4,270,270)</u>	<u>(6,698,893)</u>

The consolidated balance sheet includes the results of the Welsh Local Government Association and its subsidiary company - Local Government Data Unit - Wales.

Approved by the Association and signed on its behalf on

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PRESIDING OFFICER - CLLR HUW DAVID

The notes on pages 17 - 34 form part of these financial statements.

WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Retained earnings £	Total equity £
Balance as 1 April 2020	(4,501,910)	(4,501,910)
Changes in Equity		
Total comprehensive income	<u>(3,083,687)</u>	<u>(3,083,687)</u>
Balance at 31 March 2021	<u><u>(7,585,597)</u></u>	<u><u>(7,585,597)</u></u>
Changes in Equity		
Total comprehensive income	<u>2,941,028</u>	<u>2,941,028</u>
Balance at 31 March 2022	<u><u>(4,644,570)</u></u>	<u><u>(4,644,570)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
	1	<u>(794,528)</u>	<u>5,608,664</u>
Net cash from operating activities		<u>(794,528)</u>	<u>5,608,664</u>
Cash flows from investing activities			
Interest received		2,695	4,225
Purchase of tangible fixed assets		<u>(525,393)</u>	<u>(10,208)</u>
		(522,698)	(5,983)
Net cash from investing activities		<u>(1,317,226)</u>	<u>5,602,681</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>12,021,132</u>	<u>6,418,451</u>
Cash and cash equivalents at end of year	2	<u><u>10,703,906</u></u>	<u><u>12,021,132</u></u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

1 RECONCILIATION OF OPERATING (DEFICIT) TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Operating (Deficit) for the year	(795,667)	(537,912)
Depreciation	66,452	11,523
Pension adjustment	1,705,000	1,101,000
Pension contributions paid	(715,000)	(536,000)
Other finance income/costs	249,000	200,000
	<u>509,785</u>	<u>238,611</u>
(Increase) / Decrease in debtors	4,293,446	(8,419,028)
Increase/ (Decrease) in creditors	(5,597,759)	13,789,081
Cash generated from operations	<u><u>(794,528)</u></u>	<u><u>5,608,664</u></u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022	31.03.22	01.04.21
	£	£
Cash and cash equivalents	<u>10,703,906</u>	<u>12,021,132</u>
 Year ended 31 March 2021	 31.03.21	 01.04.20
	£	£
Cash and cash equivalents	<u>12,021,132</u>	<u>6,418,451</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards as are appropriate for the Association which is not a limited company.

Group financial statements

The financial statements consolidate the results of the Association and its wholly owned subsidiary company, Local Government Data Unit - Wales. The trading results of the subsidiary undertakings are consolidated on a line by line basis within the consolidated statement of financial activities.

Turnover/Income

All income is included in the income and expenditure account when the Association is entitled to the income and the amount can be qualified with reasonable accuracy. The following specific policies are applied:

Subscription income is included in the period to which it relates;

Grant income, where related to performance and specific deliverables, are accounted for as the Association earns the right to consideration by its performance;

Secondment recharges relate to income received for employees seconded to other organisations during the period.

All other income is included on an accruals basis.

Pension Costs

For defined benefit schemes the amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

Fixed Assets

The association has capitalised improvements made on the leasehold property during the year. Depreciation has been calculated on a straight line basis over the term of leasehold.

The Association does not capitalise computer equipment but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £3,788 (2021 £6,425).

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Cash at Bank and in Hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES - CONT.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2021/22.

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3	WELSH GOVERNMENT AND OTHER PROJECT INCOME	Group		Association	
		2022	2021	2022	2021
		£	£	£	£
	RSG Top Slice Retained	968,618	923,600	968,618	923,600
	RSG Top Slice: National Eisteddfod	356,900	349,900	356,900	349,900
	RSG Top Slice: Urdd Eisteddfod	142,200	139,400	142,200	139,400
	RSG Top Slice: Royal Welsh Show	81,800	80,200	81,800	80,200
	RSG Top Slice: Data Cymru	438,555	422,500	438,555	422,500
	RSG Top Slice: National Adoption Service	473,000	459,200	473,000	459,200
	RSG Top Slice: Looked after Children	400,000	460,000	400,000	460,000
	RSG Top Slice: LGA Workforce support	200,000	200,000	200,000	200,000
	RSG Top Slice: Reflect Project Newport	60,000	-	60,000	-
	RSG Top Slice: Food in Schools	199,989	170,607	199,989	170,607
	National Exercise Referral Scheme	165,367	154,920	165,367	154,920
	Waste Improvement	339,781	320,760	339,781	320,760
	National Autism Team	632,123	599,117	632,123	599,117
	Education Training Standards Wales	83,145	42,328	83,145	42,328
	Supporting Service Children in Wales	370,807	286,830	370,807	286,830
	Data Unit Specific Project Income	323,319	369,210	-	-
	Regional Skills Partnership	806,683	526,497	806,683	526,497
	Armed Forces Free Swimming	28,716	6,465	28,716	6,465
	Resilience and Safety	135,720	94,348	135,720	94,348
	Unaccompanied Asylum Seeking Children	390,411	10,134	390,411	10,134
	Horizon 2020	21,376	58,288	21,376	58,288
	Combined Education Grant	8,987,779	1,021,690	8,987,779	1,021,690
	Local Authority Social Services	42,000	143,000	42,000	143,000
	National Commissioning Board	187,587	155,544	187,587	155,544
	Food and Fun	2,610,535	105,759	2,610,535	105,759
	Wales Strategic Migration Partnership	259,158	238,161	259,158	238,161
	EU Transition Funding	1,119,400	1,244,311	1,119,400	1,244,311
	Unadopted Roads Project	79,918	24,302	79,918	24,302
	Life Long Learning Grant	68,720	204	68,720	204
	Safer Communities project	-	39,754	-	39,754
	Taxi Licencing Project	75,000	78,445	75,000	78,445
	EU Transition Food Provision	-	2,000,000	-	2,000,000
	EU Settled Status	-	-	-	-
	Homelessness EUTF	-	151,305	-	151,305
	Armed Forces Covenant	-	11,637	-	11,637
	Armed Forces Liaison Officer	299,000	250,000	299,000	250,000
	NRW Green Recovery	-	4,201,955	-	4,201,955
	Decarb support programme	117,014	6,600,000	117,014	6,600,000
	Digital team	992,375	262,740	992,375	262,740
	Improvement Support Programme	519,608	149,222	519,608	149,222
	Education Support Covid-19	16,992	7,013,172	16,992	7,013,172
	All Wales SCN	233,343	94,512	233,343	94,512
	Household Support	1,500,000	-	1,500,000	-
	Independent Living	10,000,000	-	10,000,000	-
	Food in Schools	154,213	-	154,213	-
		33,881,152	29,460,017	33,557,833	29,090,807

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

4 OTHER INCOME	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Conference Fees, Charges and Training Events	450	2,083	450	2,083
Policy	13,128	51,808	13,128	51,808
ADEW Support Officer	40,000	40,000	40,000	40,000
Directors of Public Protection	91,640	77,718	91,640	77,718
Principal Youth Officers Group	-	9,439	-	9,439
SWT Policy Officer	30,000	-	30,000	-
Rental income	4,000	3,500	44,000	43,500
Data Unit other income	127,646	125,000	-	-
Secondment costs	327,028	420,972	327,028	420,972
	<u>633,892</u>	<u>730,520</u>	<u>546,246</u>	<u>645,520</u>

5 STAFF COSTS

	Group		Association	
	2022	2021	2022	2021
Average monthly number of employees	<u>107</u>	<u>95</u>	<u>83</u>	<u>70</u>

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Total staff costs were as follows:				
Salaries (including redundancy costs)	4,627,245	4,386,121	3,748,586	3,471,027
Employers National Insurance	463,369	431,254	369,903	335,765
Training	87,248	8,522	84,542	6,711
Travel and Subsistence	6,534	12,151	6,030	7,965
Recruitment and Advertising	20,689	38,806	13,320	31,323
	<u>5,205,085</u>	<u>4,876,854</u>	<u>4,222,381</u>	<u>3,852,791</u>

Included in the above staff costs are early retirement costs of £29,012 (2021 £15,518) and redundancy/serverance costs of £64,822 (2021: NIL)

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £154,099 (2021 - £168,116), which can be analysed as follows:-

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

5 STAFF COSTS - Cont.	2022	2021
	£	£
Gross Salary	118,126	128,865
Employer's National Insurance	15,183	16,571
Employer's Superannuation	20,790	22,680
	<u>154,099</u>	<u>168,116</u>

6 PENSION SCHEME INCOME & EXPENDITURE CHARGE	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Current service cost	1,567,000	1,087,000	1,157,000	797,000
Past service costs	122,000	-	22,000	-
Curtailments	-	-	-	-
Administration expenses	16,000	14,000	16,000	14,000
	<u>1,705,000</u>	<u>1,101,000</u>	<u>1,195,000</u>	<u>811,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2022, the Association occupied 4th Floor, One Canal Parade, Dumballs Road, Cardiff under a tenancy agreement from Cardiff and Vale College Further Education Corporation of Colcot Road, Barry. The rent payable is £141,375 per annum. Office accommodation costs also include rates, energy, insurance, cleaning, service charge and building maintenance.

8 OFFICE SERVICES

These include printing, stationery, all communications costs and audit fees. Auditors' remuneration is £12,613 (2021 - £13,320). Also included are amounts relating to non audit fees of £5,595 (2021 - £4,000).

9 MEMBERS' SERVICES

These are the costs incurred in arranging meetings at appropriate venues of the Association's Council, Executive Board and Advisory Groups, together with allowances and expenses payable to Members and advisers in accordance with the Association's scheme for approved duties.

10 RSG TOP SLICE COSTS	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
RSG Top Slice: National Eisteddfod	356,900	349,900	356,900	349,900
RSG Top Slice: Urdd Eisteddfod	142,200	139,400	142,200	139,400
RSG Top Slice: Royal Welsh Show	81,800	80,200	81,800	80,200
RSG Top Slice: Local Government Data Unit	-	-	438,555	422,500
RSG Top Slice: National Adoption Service	473,419	463,728	473,419	463,728
RSG Top Slice: Looked after children	460,000	460,000	460,000	460,000
RSG Top Slice: LGA	200,000	200,000	200,000	200,000
	<u>1,714,319</u>	<u>1,693,228</u>	<u>2,152,874</u>	<u>2,115,728</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11 WELSH GOVERNMENT OTHER PROJECT COSTS (EXCLUDING EMPLOYEE COSTS)

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Waste Improvement	43,186	28,299	55,251	38,299
National Exercise Referral Scheme	34,664	27,373	41,464	27,373
National Autism Team	170,580	121,498	188,580	139,498
Education Training Standards Wales	61,505	23,370	61,505	23,370
Supporting Service Children in Education	304,495	219,566	304,495	219,566
Regional Skills Partnership	736,334	476,647	806,683	526,497
Armed Forces Free Swimming	28,716	6,465	28,716	6,465
Resilience and Safety	69,377	21,622	69,377	26,872
Food and Fun	2,504,969	2,275	2,507,719	2,275
Unaccompanied Asylum Seeking Children	390,411	10,134	390,411	10,134
Wales Strategic Migration Partnership	6,783	4,330	22,683	17,280
Local Authority Social Services	-	42,004	42,000	175,004
National Commissioning Board	27,711	14,921	27,711	34,122
Armed Forces Covenant	-	637	-	637
Combined Education Grant	8,967,779	1,006,690	8,987,779	1,026,690
Life long learning grant	1,720	204	1,720	204
Unadopted Roads Project	31,464	4,062	31,464	4,062
EU Transition funding	1,053,683	1,145,113	1,053,683	1,145,113
EU Transition Food Provision	-	2,000,000	-	2,000,000
Homelessness EUTF	-	151,305	-	151,305
Armed Forces Liaison Officer	299,000	250,000	299,000	250,000
Food in Schools	219,638	57,832	219,638	69,102
Safer Communities project	-	663	-	663
Horizon 2020	3,598	1,191	3,598	1,191
Taxi Licence Project	883	866	883	866
NRW Green Recovery	-	4,201,955	-	4,201,955
Decarb support programme	76,576	6,600,000	76,576	6,600,000
Digital Team	408,767	111,613	448,593	111,613
Improvement Support Programme	133,474	77,705	336,785	145,755
Education Support Covid-19	16,992	6,953,220	16,992	6,981,520
All Wales SCN	39,703	34,059	39,703	34,059
Household Support	1,500,000	-	1,500,000	-
Independent Living	10,000,000	-	10,000,000	-
	<u>27,132,008</u>	<u>23,595,619</u>	<u>27,563,009</u>	<u>23,971,490</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
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12 OTHER EXPENSES	Group		Association	
	2022 £	2021 £	2022 £	2021 £
ICT	131,171	83,632	27,967	83,632
Website expenses	-	19	3,500	3,519
Research	-	2,250	-	2,250
Translation costs	13,041	24,584	13,041	24,584
Local Government Data Unit	-	-	70,000	70,000
Professional and Consultancy fees	126,963	150,170	126,593	150,170
Conferences & events	150	-	150	-
Local Government Association	239,720	235,020	239,720	235,020
Directors of Public Protection	91,865	97,492	91,865	97,492
Principal Youth Officers Group	412	64	5,412	64
Miscellaneous expenses	32,910	9,259	30,264	9,259
Project costs	151,978	240,807	73,240	72,663
	<u>788,210</u>	<u>843,297</u>	<u>681,752</u>	<u>748,653</u>

13 FIXED ASSETS	(ASSOCIATION)		(GROUP)	
	Leasehold Property Improvements	Leasehold Property Improvements	Office & Computer Equipment	Total £
At 1 April 2021	-	-	135,091	135,091
Additions	500,000	500,000	25,393	525,393
Disposals	-	-	-	-
At 31 March 2022	<u>500,000</u>	<u>500,000</u>	<u>160,484</u>	<u>660,484</u>
DEPRECIATION	-	-	-	-
At 1 April 2021	-	-	119,644	119,644
Charge for Year	50,000	50,000	16,452	66,452
Elimated on disposal	-	-	-	-
At 31 March 2022	<u>50,000</u>	<u>50,000</u>	<u>136,096</u>	<u>186,096</u>
NET BOOK VALUE				
At 31 March 2022	<u>450,000</u>	<u>450,000</u>	<u>24,388</u>	<u>474,388</u>
At 31 March 2021	<u>-</u>	<u>-</u>	<u>15,447</u>	<u>15,447</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
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14 DEBTORS	Group		Association	
	2022 £	2021 £	2022 £	2021 £
Trade Debtors	362,704	230,936	228,029	172,134
Grant Debtors	5,211,230	9,675,167	5,211,230	9,625,167
Sundry Debtors	1,095	62,290	1,095	62,290
VAT	157,653	57,735	236,311	141,754
	<u>5,732,682</u>	<u>10,026,128</u>	<u>5,676,665</u>	<u>10,001,345</u>

15 CREDITORS	Group		Association	
	2022 £	2021 £	2022 £	2021 £
Trade Creditors	5,844,077	5,136,630	6,051,426	5,113,340
Accruals	2,458,538	9,562,846	2,418,455	9,539,411
Deferred Income	3,685,931	2,886,829	3,424,765	2,643,384
Amounts owed to group undertakings	-	-	-	-
	<u>11,988,546</u>	<u>17,586,305</u>	<u>11,894,646</u>	<u>17,296,135</u>

Included within creditors due within one year are amounts due to the following subsidiaries:-

	2022 £	2021 £	2022 £	2021 £
Local Government Data Unit - Wales (Data Cymru)	-	-	225,626	-
	<u>-</u>	<u>-</u>	<u>225,626</u>	<u>-</u>

16 RESERVES - GROUP	General £	Designated £	Total £
Balance brought forward	(8,560,243)	974,645	(7,585,598)
Deficit for the year	(792,972)	-	(792,972)
Remeasurement (liabilities & assets)	3,734,000	-	3,734,000
Transfer between reserves	-	-	-
At 31 March 2022	<u>(5,619,215)</u>	<u>974,645</u>	<u>(4,644,570)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
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16 RESERVES - Association	General £	Designated £	Total £
Balance brought forward	(6,698,893)	-	(6,698,893)
Deficit for the year	(395,377)	-	(395,377)
Remeasurement (liabilities & assets)	2,824,000	-	2,824,000
Transfer between reserves	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2022	<u>(4,270,270)</u>	<u>-</u>	<u>(4,270,270)</u>

17 OPERATING LEASE AND FINANCIAL COMMITMENT

The following operating lease commitments are committed to being paid within one year

	2022 £	2021 £
Land and Buildings		
Within one year	-	-
Between one and five years	565,500	424,125
More than five years	848,250	989,625
	<hr/> <u>1,413,750</u>	<hr/> <u>1,413,750</u>

The Group has entered into a financial commitment with Cardiff County Council to pay £83,574 for Information and Communication Technology services up to 31 March 2023.

18 RELATED PARTY TRANSACTIONS

Due to the nature of the Association's operations and its membership being drawn from a wide range of Local Authorities, it is inevitable that transactions will take place with organisations in which a member of the Association may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

19 SUBSIDIARIES

The following was a subsidiary of the parent company Welsh Local Government Association at 31 March 2022;

Local Government Data Unit - Wales

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20 PENSION SCHEME - ASSOCIATION

Balance sheet items	2022 £000s	2021 £000s
Market Value of Assets	28,683	25,973
Liabilities	36,960	36,235
(Deficit)	<u>(8,277)</u>	<u>(10,262)</u>

Deferred taxation has been ignored.

The value of assets in the scheme and the split between investment categories were:

	Assets at 31 March 2022		Assets at 31 March 2021	
	£000s	%	£000s	%
Equities	14,256	49.7	13,272	51.1
Government Bonds	2,696	9.4	338	1.3
Other Bonds	975	3.4	2,987	11.5
Property	2,754	9.6	2,338	9.01
Cash/Liquidity	602	2.1	571	2.2
Other	7,400	25.8	6,467	24.9
	<u>28,683</u>		<u>25,973</u>	

	2022 £000s	2021 £000s
Movement in Deficit		
(Deficit) at beginning of year	(10,262)	(7,707)
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Employer Contributions	565	476
Net interest on pension liabilities	(209)	(180)
Administration expense	(16)	(14)
Effects of curtailments	-	-
Remeasurements on liabilities & assets	2,824	(2,040)
(Deficit) at End of Year	<u>(8,277)</u>	<u>(10,262)</u>

	2022 £000s	2021 £000s
Analysis of Pension Scheme Adjustment		
Current Service Costs	(1,157)	(797)
Past service costs	(22)	-
Curtailments	-	-
Employer Contributions	565	476
Net Interest/Return on Assets	(209)	(180)
Administration expense	(16)	(14)
Net Profit / (Loss)	<u>(839)</u>	<u>(515)</u>

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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20 PENSION SCHEME (CONT.) - ASSOCIATION

Analysis of Net Interest/Return on Assets	2022 £000s	2021 £000s
Interest on plan assets	549	526
Interest on Pensionable Liabilities	(758)	(706)
Net Profit / (Loss)	<u>(209)</u>	<u>(180)</u>

Main Assumptions (cont.)

Financial:	2022	2021
CPI inflation	3.3%	2.7%
Rate of increase in salaries	4.8%	4.2%
Rate of increase in pensions	3.4%	2.8%
Discount rate	2.8%	2.1%

Split of assets between investment categories:

Equities	49.7%	51.1%
Government Bonds	9.4%	1.3%
Other Bonds	3.4%	11.5%
Property	9.6%	9.0%
Cash/Liquidity	2.1%	2.2%
Other	25.8%	24.9%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
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20 PENSION SCHEME (CONT.) - ASSOCIATION

	2022	2021
Post retirement mortality assumptions		
Non-retired members	S3PA CMI_2018_(1.75%) (131% males,106% females)	S3PA CMI_2018_(1.75%) (131% males,106% females)
Retired members	S3PA CMI_2018_(1.75%) (124% males,104% females)	S3PA CMI_2018_(1.75%) (124% males,104% females)
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.4 (25.9) years	22.6 (26) years
- current pensioner age 65	20.9 (24) years	21 (24.1) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
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FOR THE YEAR ENDED 31 MARCH 2022**

21 PENSION SCHEME - SUBSIDIARY

The disclosures below relate to the funded liabilities within the Rhondda Cynon Taf County Borough Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires Local Government Data Unit and its employees to pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Contributions for the accounting period ending 31 March 2022

The Employer's regular contributions to the Fund for the accounting period 31 March 2022 are estimated to be £0.15M. In addition, Strain on Fund Contributions may be required.

Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Assumptions

The latest actuarial valuation of Local Government Data Unit's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Present value of funded obligations	(8,170,000)	(8,400,000)
Fair value of plan assets	6,880,000	6,600,000
Present value of unfunded obligations	(1,290,000)	(1,800,000)
Deficit	(1,290,000)	(1,800,000)
Net liability	(1,290,000)	(1,800,000)

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

21 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in surplus are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Current service cost	410,000	290,000
Financing		
Interest on net defined benefit liability	180,000	140,000
Total expense in the Income & Expenditure account	<u>590,000</u>	<u>430,000</u>
Actual return on plan assets	<u>-</u>	<u>-</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Opening defined benefit obligation	8,110,000	6,080,000
Current service cost		
Contributions by scheme participants	-	-
Interest cost	180,000	140,000
Actuarial losses/(gains)	(790,000)	1,970,000
Benefits paid	(250,000)	(80,000)
	<u>7,250,000</u>	<u>8,110,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Opening fair value of scheme assets	6,600,000	5,040,000
Contributions by employer	150,000	60,000
Interest income on assets	140,000	120,000
Assests other remeasurements	(120,000)	1,460,000
Benefits paid	(250,000)	(80,000)
	<u>6,520,000</u>	<u>6,600,000</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
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FOR THE YEAR ENDED 31 MARCH 2022**

21 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2022	2021
	£	£
Assets other remeasurements	120,000	1,460,000

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2022	2021
Equities	67.40%	70.70%
Government bonds	12.00%	9.10%
Corporate bonds	12.90%	13.00%
Cash	0.40%	0.80%
Property	7.30%	6.40%
	100.00%	100.00%

Principal actuarial assumptions at the balance sheet date (% per annum)

	2022	2021
Discount rate	2.70%	2.10%
CPI Inflation	2.90%	2.60%
Pension increases	2.90%	2.60%
Pension accounts revaluation rate	2.90%	2.60%
Rate of general increase in salaries	4.15%	3.85%

WELSH LOCAL GOVERNMENT ASSOCIATION
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FOR THE PERIOD ENDED 31 MARCH 2022

22 EFFECT OF PENSION SCHEME ON THE SURPLUS FOR THE YEAR

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
(Deficit) per accounts	(792,972)	(533,687)	(395,377)	(334,604)

PENSION SCHEME INCLUDED IN THE INCOME AND EXPENSE ACCOUNT

Pension adjustment	6	1,705,000	1,101,000	1,195,000	811,000
Expected return on pension scheme assets		(689,000)	(526,000)	(549,000)	(526,000)
Interest on pension scheme liabilities		938,000	726,000	758,000	706,000

Employers Pension contributions eliminated as a result of pension scheme		(715,000)	(536,000)	(565,000)	(476,000)
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ADJUSTED SURPLUS (PRE PENSION SCHEME)		<u>446,028</u>	<u>231,313</u>	<u>443,623</u>	<u>180,396</u>
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Transfer from / (to) designated reserves		-	-	-	-
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		<u><u>446,028</u></u>	<u><u>231,313</u></u>	<u><u>443,623</u></u>	<u><u>180,396</u></u>
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23 GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,644,570. The primary reason for the Group having negative reserves is the long term pension deficit of £9,567,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Group pension scheme and as such the liability is not expected to crystallise in the short term. Excluding the pension deficit the Group has reserves of £4,922,430. This gives the Chief Executive confidence that the Group can continue as a going concern for the foreseeable future.