

WLGA DRAFT FINANCIAL STATEMENTS 2019-20

Purpose

1. For the WLGA Council to receive:

- i. The Audit Findings Report March 2020 (Annex 1); and
- ii. The Auditors' Letter of Representation (Annex 2);

and to approve

- iii. The WLGA Strategic Report, Report of the Chief Executive and Financial Statements for the year ended 31 March 2020 (Annex 3); and
- iv. The Consolidated Statement of Accounts for the WLGA and Data Cymru for the year ended 31 March 2020 (Annex 4).

Financial Review of the Year

2. The Welsh Local Government Association collects subscriptions from its members. In 2019-20 subscriptions were not increased. Since 2009-10, subscription income has fallen by nearly a third in real terms.
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 2019-20 the Association's grant income increased by £2.2m in comparison with the previous financial year. Full details of Welsh Government and other grants can be found on page 17.
4. In 2019-20 the Association provided funding from the Revenue Support Grant Top Slice of over £2.0m 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 20.
5. The Association shows a deficit of £819,532 for 2019-20 compared to a deficit of £281,167 in previous reporting period. The deficit is mainly due to the accounting treatment of the pensions and a breakdown is shown on page 27. The Association returned a surplus of £83,468 before the adjustment for the pension in these financial statements.

Principal Risks and Uncertainties

6. Across the UK and in Wales, local government continues to bear the brunt of austerity and the WLGA must shoulder its share of burdens. One of the strengths of the organisation is its ability to adapt and it has changed significantly since it was established in 1996. This has helped us cope with substantial reductions in subscription and grant income. Over the next period we face similar challenges as our members income will continue to decline in real terms, while we face the

inescapable pressures of workforce and demand on top of the uncertainties of Brexit.

7. The detailed budget for 2020-21 was considered by the WLGA Council where a balanced position was presented. Going forward there are some forecast shortfalls in subsequent years which will require modest use of some of the reserves to smooth them out.
8. The WLGA spends a large proportion of its budget on staff and changes continue although with a decreasing number of voluntary departures. Spending on staff costs and governance, including members services, continues to fall compared with previous years.
9. The focus on increased member support and improved communications continues but as with so many aspects of the Association's work this has been overtaken by the Covid-19 crisis. Similarly, while the organisation has been aligning its capacity to support the revised corporate strategy and business plan but like all 22 local authorities, we have had to readjust our capacity to support authorities in their response to the crisis.
10. Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. Over the current year will continue to assess our needs for office accommodation when the lease expires in September 2021 and work has been completed to baseline the information that will be required to advise the Association of future options for its location.

Recommendations

- 11. It is recommended that Members approve the WLGA Financial Statements.**

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Welsh Local Government Association

Audit Findings Report
for the year ended
31 March 2020



Table of Contents

Executive Summary.....	1
Introduction	2
Strategic, financial & Governance Health Check	3
Financial Headlines	4
Financial statement audit	5
Accounting policies, estimates and judgements.....	Error! Bookmark not defined.
Internal Controls	8
Internal Controls – review of issues raised in prior year	9
Summary of adjustments from draft trial balance	10
Summary of unadjusted errors.....	10
Other Matters	11

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.

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

We are pleased to report that we have completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements.

In the conduct of our audit we have not had to make significant changes to our audit approach, which we communicated to you in our Audit Plan dated 16 March 2020.

Key audit and financial reporting issues

For our audit we have set materiality as £220,000, with a triviality level of £11,000.

Financial statements opinion

We have not identified any adjustments affecting the Association's reported financial position. The company delivered a deficit of £819,532 and the financial statements record a negative position at the year-end of (£4,324,289). This is mainly due to the pension liability at the year end of £7,707,000. Without this liability the Association would have reserves of £3,382,711.

Control weaknesses

The company's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the company.

Findings

We have identified some control weaknesses which we have highlighted on page 8 on the report.

We would also like to bring to your attention that you receive a number of grant offer letters which refer to the final grant claim needing to be submitted prior to 31 March each year, with the grant provider being able to withhold any final claims if they are received late. As the grant claims are claimed in arrears, it would be impossible to do this as all expenditure would not have been received before the 31 March.

We recommend that grant claims are reviewed and queried with the grant provider to ensure there is no potential loss of income.

Acknowledgement

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

Introduction

Purpose of this report

This report highlights the key issues affecting the results of the company and the preparation of the financial statements for the year ended 31 March 2020. 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 company's financial statements give a true and fair view of the financial position of the company and its profit or Loss for the year and whether they have been properly prepared in accordance with FRS 102.

Fraud

It is the company's responsibility to implement a framework of internal control that actively prevents and detects fraudulent activity. Our responsibility as auditor is to consider fraud risk to the company and to conduct audit procedures work that would give us a reasonable expectation of detection of fraud and conducted any other work that we consider necessary to provide us with assurance that the financial statements are free to material fraud.

Our work as auditor is not intended to identify any instance of fraud of a non-material nature and should not be relied upon for this purpose. In the event that the Board wish to obtain enhanced assurance with regard to the effectiveness of internal controls in preventing and detecting fraud we would be happy to provide additional services.

Independence

Our policy is to ensure independence, integrity and objectivity of our audit team. Maintaining and assessing our independence is a continual process throughout the audit cycle.

We have made enquires of all Bevan Buckland LLP teams providing services to you for compliance matters.

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of our engagement partner and staff.

At the date of this report we confirm that in our professional judgement, we are independent auditors for the company and that objectivity of the audit team is not impaired.

Strategic, financial & Governance Health Check

Strategic

	Current year	Prior year
Organisation has stated strategic objectives in Chief Executive report	●	●
Organisation reports progress against these objectives	●	●
Are the activities of the organisation in line with the organisation objects?	●	●
Organisation has a long term strategy/plan?	●	●
Organisation produces an annual budget?	●	●
Organisation 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	●	●
Organisation has budgets in place for at least 12 months	●	●

Risk

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

Governance

	Current year	Prior year
Have the organisation board held sufficient meetings in the year?	●	●
Have the board reviewed their internal controls recently?	●	●
Are minutes of all board meetings kept?	●	●
Do you have procedures in place to deal with conflicts of interest?	●	●

Financial Headlines

Income and expenditure	2020	2019	Explanation of Variance
Income			
Subscriptions	2,281,339	2,274,165	Reasonable year on year and in line with expectations
Grant	12,441,241	10,172,419	
Other	562,215	494,014	Reasonable year on year, a split is detailed in note 4 of the accounts.
	15,284,795	12,940,598	
Expenditure			
Staff Costs	3,356,778	3,247,350	Has increased in line with increased staff numbers
Pension scheme	1,362,000	668,000	As per the actuary report received from Mercer
Office Accommodation	370,739	382,600	Reasonable year on year
Office Services	168,402	159,285	Reasonable year on year
Member Services	28,506	59,765	Reasonable year on year
Furniture & Equipment	4,200	18,000	Depends on capital spend
RSG Top Slice Costs	2,067,500	2,046,629	Reasonable year on year – no new top slice costs in the year
Other grant costs	7,766,948	5,481,520	Main increase is due to the EU Transition fund project, and combined Education grant included in 2020, and no Music Education or Education ICT grant
Other expenses	777,403	991,580	Reasonable year on year
Pension scheme	214,000	174,000	As per the actuary report received from Mercer
Interest received	(12,149)	(6,964)	
(Deficit)	(819,532)	(281,167)	

Balance sheet	2020	2019	Explanation of Variance
Current Assets			
Debtors	1,605,486	1,776,727	Decrease is due to a decrease in prepayments at the year end, in 2019 there was a prepayment for the pension deficit payment made in 2018 of £317,033. No such prepayment for 2020. All other balances are reasonable year on year.
Cash at bank	5,366,006	5,555,201	Reasonable year on year
Current liabilities	(3,588,781)	(4,032,685)	Decrease relates to a decrease of £662k in deferred income at the year end.
Pension Liability	(7,707,000)	(8,527,000)	Liability agreed to the actuary report received from Mercer
Net Liabilities	(4,324,289)	(5,227,757)	
Reserves	(4,324,289)	(5,227,757)	

Financial statement audit

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'.

We determined overall materiality to be £220,000. We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £11,000.

We also identified the following items where we decided that separate materiality levels were appropriate.

Balance/transaction/disclosure	Explanation
Disclosure of directors salaries	£10,000
Related party transactions	£10,000

Audit risks and responses

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK) 315).

We raised a number of 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 interim audit and the year end audit to address each of these risks and ensure the financial statements are free from a material misstatement.

Risks are categorised as high, medium or low risk.

Risk	Risk Factor	Work completed	Assurance gained and issues arising
Revenue recognition <i>There is a presumption that revenue recognition is a significant risk on every audit engagement (ISA (UK&I) 240.60)</i>	High	We examined and tested the process through which management has identified and quantified income. We also performed substantive testing on a sample of transactions.	We have reviewed the control over how income is identified to ensure the control is working in operation. We also performed substantive income testing during the period. No issues have come to light in this area.
Management Override of Controls <i>Management override of controls should be considered a risk on every engagement (ISA (UK&I) 240.74)</i>	High	We reviewed the appropriateness of significant journals processed during the period. We looked carefully at any management estimates and considered if they were subject to bias.	We have reviewed material journals posted during the period and assessed estimates for bias. We are satisfied with the outcome and that there are adequate controls in place to prevent override.
Presentation of financial statements	Low	We have adopted UK GAAP when preparing these financial statements as in prior years	No issues on presentation of financial statements
Grant debtors	Medium	We have reviewed grant letters for the year along with receipts after the year end to identify potential grant debtors.	Grant debtors have been included by the client, previously there has been some additional work to identify grant debtors, this year there seems to be a far better control over the inclusion of grant debtors. No further issues with grant debtors.
Pension liability	Medium	We have received an actuary report for the year end – we have reviewed the assumptions included in the report and the outcome to our expectations and knowledge from other like organisations.	The decrease in the liability is in line with expectation and follows what we have seen across the industry. The assumptions used are in line with other actuary reports reviewed.

Risk	Risk Factor	Work completed	Assurance gained and issues arising
Risk of fraud over credit card expenditure	Medium	We have reviewed a sample of credit cards statements in the year, along with the control over how credit card expenditure is monitored.	There have been no issues with the control over credit card expenditure / statements reviewed.
Covid-19	High	<p>We have reviewed for any potential impairment of assets held at the year end, and focussed our work around the recoverability of debtors, including grant debtors.</p> <p>We have also reviewed post year end and the impact Covid-19 may have on the Association, especially around going concern.</p>	<p>As part of our audit we reviewed debtors at the year end for recoverability, from our audit work, no issues were highlighted.</p> <p>The Association receives subscription income in advance for the year, most of the subscription income had been received by the time we were undertaking the audit. This gives comfort that the association has the cash and reserves in order to continue its operations for the foreseeable future.</p> <p>No other issues have been highlighted with going concern, and we agree with the managements use of the going concern basis.</p>

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 .

The following control issues were identified during the interim 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

Assessment		Issue and risk	Recommendations
●	Deficiency	<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>	The finance team should be notified on a frequent basis for all income to be invoiced to ensure done on a timely basis.

Internal Controls – review of issues raised in prior year

- ✓ Action completed
X Not yet addressed

Assessment	Issue and risk	Update on actions taken to address the issue
X	Control over raising of income Due to the various departments, there does not seem to be a centralised system for raising income and informing the finance team on a timely basis	There is still no centralised system to identify all income streams. A centralised system should be devised so all departments work the same way, we suggest that a 'income sheet' is completed by the person wanting to raise the income and passed to the finance team
X	The organisation still uses a lot of cheques to pay suppliers This type of payment is open to fraud due to cheques being stolen etc	The organisation are still using cheques to pay suppliers Where possible payments should be made via BACS
X	Overspend on projects There are some projects in the year where there has been an overspend and therefore the Association has covered the additional spend.	The head of the project should review the expenditure on a regular basis to ensure in budget.
X	Personnel files not up to date There are a number of personnel files where the information is out of date or missing.	Personnel files should be reviewed and updated to include the most recent information.
X	Grant claims going in late There are a couple of occasions where grant claims were submitted late, there could be a threat that the claims are rejected.	There still seem to be grant claims being submitted late to Welsh Government, not only does this make the accounting more difficult due to timing and which period to include the grant income, it also increases the risk of not receiving the money if the claim is late.
✓	No accrual for top slice grant No accrual has been included for the top slice payment for Looked After School grant	No issues with missing accruals this year.

Summary of adjustments from draft trial balance

Below is a summary of the adjustments made from the initial trial balance received to the financial statements, all of these adjustments have been agreed with management before adjusting.

	Income and expenditure £	Balance sheet £	Explanation for adjustment
Pension liability	820,000		Being: Inclusion of adjustment to pension liability
Salaries		673,000	
Income and expenditure	1,576,000		
SOCI		1,723,000	
Pension liability Reserve	3,774,000	3,774,000	Being: Opening balance adjustment to pension liability

Summary of unadjusted errors

Below is a summary of any unadjusted errors identified during the course of our audit except for those deemed trivial.

	Income and expenditure £	Balance sheet £
Trade debtors		15,651
Income and expenditure account	(15,651)	
Being: Reversal of general bad debt provision		
<i>Total of potential adjustments</i>	(15,651)	15,651

Other Matters

Fraud

We have discussed fraud with you and 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

We are not aware of any incident of non-compliance with relevant laws and regulations.

Post balance sheet events

The board have not made us aware of any post balance sheet events that require adjusting or disclosure, and none have been highlighted from our audit work.

Contingent liabilities

We have not highlighted any contingent liabilities from our audit work and the board have not made us aware of any which require disclosure within the financial statements.

Related Parties

It is the Board's responsibility to keep and maintain a list of Related Parties which should be supplied to the audit team when conducting the interim audit.

All board members should make a declaration of interest at every board meeting in order for this list to be kept up to date. We will be able to help you with the identification of related parties within your organisation

We are not aware of any related party transactions which have not been disclosed.

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SA 8QY

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 2020, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material aspects.

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 executives 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 2020.
2. We confirm that all accounting records have been made available to you for the purposes of your audit, in accordance with your terms of engagement, and that all 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 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 executives' report from being approved, we acknowledge that each director will be guilty of a criminal offence.
4. We confirm that the ultimate controlling party is unknown to the executives.
5. 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.
6. We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. 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.
8. We confirm that the association has no liabilities or contingent liabilities other than those disclosed in the financial statements.
9. 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.

10. 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.

11. 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.

Party	Relationship	Nature of transaction
Local Government Data Unit	Subsidiary	Various transactions as detailed further in the notes to the accounts

12. We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework.

13. 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 association] for executives, nor provided guarantees of any kind on behalf of the executives.

14. We confirm that the association has not contracted for any capital expenditure other than as disclosed in the financial statements.

15. 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.

16. 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 business and which are central to the association's ability to conduct its business.

17. We acknowledge our responsibility for the design, implementation and maintenance of 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 business.

18. 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 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.

19. 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, including the availability of working capital and have considered a future period of at least one year from the date on which the financial statements will be approved.

20. 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. A list of the uncorrected misstatements is attached to this letter.

21. 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 2020 amounted to £1,580,622.
- We agree with the assumptions used by the Actuary for the purposes of the pension liability
- We confirm that no provision should be made against trade debtors for any potential bad debts
- We confirm that all grant debtors outstanding at the year end will be received and that no provision should be made against these

22. 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.

23. 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.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and expertise (and, where appropriate of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the directors during the course of your audit.

Yours faithfully

Signed on behalf of the board by:

Director

Date

WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Bevan Buckland LLP
Chartered Accountants
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WELSH LOCAL GOVERNMENT ASSOCIATION

CONTENTS

	PAGE
Strategic Report	1 - 3
Report of the Chief Executive	4 - 5
Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Other Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flow	13
Notes to the Statement of Cash Flow	14
Notes to the Financial Statements	15 - 27

WELSH LOCAL GOVERNMENT ASSOCIATION STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Chief Executive presents his strategic report for the year ended 31 March 2020.

REVIEW OF BUSINESS

The Covid-19 crisis has dominated the WLGA's work for the last 6 months and indeed most of this calendar year. It is difficult therefore not to focus on the crisis even though this report covers the year to the end of March 2020.

The WLGA's leadership changed during the autumn of 2019-20 with Cllr Andrew Morgan elected WLGA Leader replacing Cllr Debbie Wilcox when she was elevated to the House of Lords as Baroness Wilcox of Newport. Baroness Wilcox's leadership laid firm foundations for the WLGA and helped recast a relationship with Welsh Government focused on partnership and mutual respect

2019-20 was dominated by discussions on planning for Brexit and regional reform as the Local Government and Elections (Wales) Bill was introduced in the Senedd. There were some notable achievements and progress, not least the negotiation of the best local government settlement in over a decade. However, the impact of some of the worst winter floods and their impact on communities and authorities dominated the last quarter of 2020.

The challenges of flooding were followed by the outbreak of Covid-19 which represents the biggest global crisis for generations and the challenges it presents to local government, the people and communities of Wales are immense and relentless.

With the onset of Autumn, there is no sign of any respite and the forthcoming Winter is full of challenges for local government and public services in Wales. It seems clear that this global pandemic is going to be with us for some time to come and increasing infection rates resulting in further local lockdowns create more unease and uncertainty and makes planning with any certainty difficult.

Local government services are needed now more than ever before, and the WLGA has realigned itself, both its structure and work programme, to support the local government response to the coronavirus pandemic. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities and the people they serve.

The WLGA is founded on 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. This has never been more evident than during this crisis.

All 22 councils across Wales continue to work heroically to deliver core public services to their communities. They have demonstrated that they are rooted in their communities and that they understand and are responsive to the needs of the people they serve. Whether in creating education hubs for the vulnerable or the children of key workers at the start of the pandemic; sustaining free school meals services; supporting vulnerable adults through the *Shielding* scheme, supporting their local economies through the small businesses grant or setting up contact tracing systems in partnership with health boards they have performed and delivered magnificently. Whatever the need, whatever the challenge local government has risen and successfully delivered.

The WLGA has in turn supported all 22 local authorities in their efforts and looked to add value wherever possible in support of local government. The aim of the Association is always to promote, protect, support and advance local government and its associate members. That role has never been more important than it is now and in the coming months.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

PRINCIPAL RISKS AND UNCERTAINTIES

Across the UK and in Wales, local government continues to bear the brunt of austerity and the WLGA must shoulder its share of burdens. One of the strengths of the organisation is its ability to adapt and it has changed significantly since it was established in 1996. This has helped us cope with substantial reductions in subscription and grant income. Over the next period we face similar challenges as our members income will continue to decline in real terms, while we face the inescapable pressures of workforce and demand on top of the uncertainties of Brexit.

The detailed budget for 2020-21 was considered by the WLGA Council where a balanced position was presented. Going forward 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 changes continue although with a decreasing number of voluntary departures. Spending on staff costs and governance, including members services, continues to fall compared with previous years.

The focus on increased member support and improved communications continues but as with so many aspects of the Association's work this has been overtaken by the Covid-19 crisis. Similarly, while the organisation has been aligning its capacity to support the revised corporate strategy and business plan but like all 22 local authorities, we have had to readjust our capacity to support authorities in their response to the crisis.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. Over the current year will continue to assess our needs for office accommodation when the lease expires in September 2021 and work has been completed to baseline the information that will be required to advise the Association of future options for its location

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL REVIEW OF THE YEAR

The Welsh Local Government Association collects subscriptions from its members. In 2019-20 subscriptions were not increased. Since 2009-10, subscription income has fallen by nearly a third in real terms.

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 2019-20 the Association's grant income increased by £2.2m in comparison with the previous financial year. Full details of Welsh Government and other grants can be found on page 17.

In 2019-20 the Association provided funding from the Revenue Support Grant Top Slice of over £2.0m 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 20.

The Association shows a deficit of £819,532 for 2019-20 compared to a deficit of £281,167 in previous reporting period. The deficit is mainly due to the accounting treatment of the pensions and a breakdown is shown on page 27. The Association returned a surplus of £83,468 before the adjustment for the pension in these financial statements.

GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,324,289. The primary reason for the Association having negative reserves is the long term pension liability of £7,707,000. 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. Excluding the pension deficit, the Association has reserves of £3,382,711. There is no planned crystallisation of the pension liability and therefore the liability remains long term.

The Association has a strong cash position at the year end with a balance of £5,366,006, although, £1,580,622 is included as deferred income. This still leaves the Association in a strong cash position, and with the Association prepaying its pension deficit payments, this will have a positive impact on its cash position moving forward.

Therefore, 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

.....
Chief Executive - CHRIS LLEWELYN

DATE.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2019**

The Chief Executive presents his report with the financial statements of the Association for the year ended 31 March 2020

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 2019**

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 2020 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

.....

DATE

LOCAL GOVERNMENT HOUSE
DRAKE WALK
CARDIFF
CF10 4LG

**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 2020 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 2020 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 Companies Act 2006.

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 22 in the financial statements, which indicates that the Association is insolvent with negative reserves of £4,278,701. This is primarily due to the long term pension scheme deficit of £7,707,000 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Other information

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, 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Chief Executive for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Chief Executive has been prepared in accordance with applicable legal requirements.

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 the Companies Act 2006 requires us 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
- the Chief Executive was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Chief Executive.

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**

Auditors' 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 a Report of the Auditors 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.

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 Report of the Auditors.

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
Langdon House
Langdon Road
SA1 Swansea Waterfront
Swansea
SA1 8QY

Date:

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
INCOME			
Subscriptions	2	2,281,339	2,274,165
Project Income	3	12,441,241	10,172,419
Other Income	4	562,215	494,014
		15,284,795	12,940,598
EXPENDITURE			
Staff Costs	5	3,356,778	3,247,350
Pension scheme charge	6	1,362,000	668,000
Office Accommodation	7	370,739	382,600
Office Services	8	168,402	159,285
Member Services	9	28,506	59,765
Furniture and Equipment		4,200	18,000
RSG Top Slice Costs	10	2,067,500	2,046,629
Welsh Government Other Grant Costs	11	7,766,948	5,481,520
Other Expenses	12	777,403	991,580
		15,902,476	13,054,729
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(569,000)	(569,000)
Interest on pension scheme liabilities		783,000	743,000
		16,116,476	13,228,729
OPERATING DEFICIT FOR THE YEAR		(831,681)	(288,131)
Interest Receivable		12,149	6,964
DEFICIT ON ORDINARY ACTIVITIES	21	(819,532)	(281,167)
Transfers to/(from) Designated reserves	15	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		(819,532)	(281,167)

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 27, note 21.

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

The notes on pages 15 - 27 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Notes	2020 £	2019 £
CURRENT ASSETS			
Amounts falling due within one year	13	1,605,486	1,776,727
Cash at Bank and in hand		<u>5,366,006</u>	<u>5,555,201</u>
		6,971,492	7,331,928
CURRENT LIABILITIES	14	<u>3,588,781</u>	<u>4,032,685</u>
NET ASSETS EXCLUDING PENSION LIABILITY		3,382,711	3,299,243
PENSION LIABILITY	20	(7,707,000)	(8,527,000)
		<u> </u>	<u> </u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u><u>(4,324,289)</u></u>	<u><u>(5,227,757)</u></u>
 FINANCED BY:			
Reserves	15	(4,324,289)	(5,227,757)
		<u>(4,324,289)</u>	<u>(5,227,757)</u>

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Approved by the Association and signed on its behalf on

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PRESIDING OFFICER

The notes on pages 15 - 27 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2020**

	2020	2019
	£	£
Deficit for the financial year	(819,532)	(281,167)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	(1,499,000)	755,000
Remeasurements on liabilities	3,222,000	(2,031,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,723,000</u>	<u>(1,276,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>903,468</u></u>	<u><u>(1,557,167)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Retained earnings £	Total equity £
Balance as 1 April 2018	(3,670,590)	(3,670,590)
Changes in Equity		
Total comprehensive income	<u>(1,557,167)</u>	<u>(1,557,167)</u>
Balance at 31 March 2019	<u>(5,227,757)</u>	<u>(5,227,757)</u>
Changes in Equity		
Total comprehensive income	<u>903,468</u>	<u>903,468</u>
Balance at 31 March 2020	<u>(4,324,289)</u>	<u>(4,324,289)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	<u>(201,344)</u>	<u>1,716,503</u>
Net cash from operating activities		<u>(201,344)</u>	<u>1,716,503</u>
Cash flows from investing activities			
Interest received		<u>12,149</u>	<u>6,964</u>
Net cash from investing activities		<u>(189,195)</u>	<u>1,723,467</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>5,555,201</u>	<u>3,831,734</u>
Cash and cash equivalents at end of year	2	<u><u>5,366,006</u></u>	<u><u>5,555,201</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

1 RECONCILIATION OF OPERATING DEFICIT TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Operating Deficit for the year	(831,681)	(288,131)
Pension adjustment	1,362,000	668,000
Pension contributions paid	(633,000)	(633,000)
Other finance income/costs	174,000	174,000
	<u>71,319</u>	<u>(79,131)</u>
Decrease / (Increase) in debtors	171,241	1,216,581
Increase in creditors	(443,904)	579,053
Cash generated from operations	<u><u>(201,344)</u></u>	<u><u>1,716,503</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 2020	31.03.20	01.04.19
	£	£
Cash and cash equivalents	<u>5,366,006</u>	<u>5,555,201</u>
Year ended 31 March 2019	31.03.19	01.04.18
	£	£
Cash and cash equivalents	<u>5,555,201</u>	<u>3,831,734</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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;

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 2020**

1 ACCOUNTING POLICIES - CONT.

Fixed Assets

The Association does not capitalise fixed assets but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £4,200 (2019 £18,000).

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.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of an trade discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial Instruments

The Association only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

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

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2019/20. 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 2020**

3 WELSH GOVERNMENT AND OTHER PROJECT INCOME	2020	2019
	£	£
RSG Top Slice Retained: Welsh Local Government Association	874,800	871,270
RSG Top Slice: National Eisteddfod	339,700	340,750
RSG Top Slice: Urdd Eisteddfod	135,300	135,680
RSG Top Slice: Royal Welsh Agricultural Society	77,900	78,160
RSG Top Slice: Data Cymru	405,100	404,140
RSG Top Slice: National Adoption Service	325,200	318,800
RSG Top Slice: Looked After Children	585,000	585,000
RSG Top Slice: LGA Workforce support	200,000	200,000
RSG Top Slice: Food in Schools	190,966	185,186
Improvement fund	31,032	38,845
National Exercise Referral Scheme	162,327	166,994
Waste Improvement	335,801	394,314
National Autism Team	663,793	701,817
Education Training Standards Wales	45,128	37,779
Supporting Service Children in Wales	363,846	307,351
Regional Skills Partnership	466,094	508,359
Armed Forces Free Swimming	53,180	49,479
Resilience and Safety	103,799	100,008
Supporting People Programme	-	26,225
Unaccompanied Asylum Seeking Children	335,303	512
Horizon 2020	4,112	887
Combined Education Grant	2,428,599	376,282
Education ICT Funding Grant	-	1,700,000
Music Education Provision Grant	-	1,400,000
National Youth Arts Wales	-	100,000
Local Authority Social Services	16,329	43,606
Ministerial Advisory Group on Children	-	70,195
National Commissioning Board	42,897	94,762
Food and Fun (School Holiday Enrichment Programme)	771,373	497,038
Wales Strategic Migration Partnership	232,000	199,800
Cyber Essentials	-	95,000
EU Transition Funding	1,299,302	73,132
Unadopted Roads Project	42,901	26,036
Life Long Learning Grant	9,342	23,516
Safer Communities project	83,173	21,496
Taxi Licencing Project	34,822	-
EU Transition Food Provision	1,250,000	-
EU Settled Status	224,000	-
Homelessness EUTF	57,500	-
Armed Forces Covenant	622	-
Armed Forces Liaison Officer	250,000	-
	<u>12,441,241</u>	<u>10,172,419</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

4 OTHER INCOME	2020	2019
Conference Fees, Charges and Training Events	25,532	51,317
Policy	19,305	40,365
ADEW Support Officer	30,000	30,000
Directors of Public Protection	83,391	72,238
Principal Youth Officers Group	7,328	10,399
Youth Officer	-	10,000
SWT Policy Officer	73,694	43,872
Rental income	43,500	43,500
Candidates Survey	-	12,950
Secondment recharges	262,815	179,373
Local Authority Support Arrangements	16,650	-
	<hr/>	<hr/>
	<u>562,215</u>	<u>494,014</u>

5 STAFF COSTS

At the year end, the Association's Secretariat was staffed with 61 (2019 - 58) employees.

	2020	2019
	£	£
Total staff costs were as follows:		
Salaries (including redundancy & early retirement costs)	2,971,079	2,866,895
Employers National Insurance	286,242	273,780
Training	6,967	12,045
Travel and Subsistence	89,048	88,441
Recruitment and Advertising	3,442	6,189
	<hr/>	<hr/>
	<u>3,356,778</u>	<u>3,247,350</u>

Included in the above staff costs are early retirement costs of £42,944 (2019 £30,739).

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £158,456 (2019 - £193,268), which can be analysed as follows:-

	2020	2019
	£	£
Gross Salary	125,211	125,312
Employer's National Insurance	16,091	20,372
Employer's Superannuation	17,154	16,845
Early retirement	-	30,739
	<hr/>	<hr/>
	<u>158,456</u>	<u>193,268</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

6	PENSION INCOME & EXPENDITURE CHARGE	2020	2019
		£	£
	Current service cost	768,000	656,000
	Past service costs	543,000	-
	Curtailments	39,000	-
	Administration expenses	12,000	12,000
		1,362,000	668,000

7 OFFICE ACCOMMODATION

During the year ended 31 March 2002, the Association occupied the Local Government House, Drake Walk, Atlantic Wharf, Cardiff under a tenancy agreement from Doublet Holdings Limited. The rent payable is £176,800 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 £8,000 (2019 - £7,680). Also included are amounts relating to non audit fees of £4,150 (2019 - £4,170).

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	2020	2019
		£	£
	RSG Top Slice: National Eisteddfod	339,000	340,750
	RSG Top Slice: Urdd Eisteddfod	135,300	135,680
	RSG Top Slice: Royal Welsh Agricultural Society	77,900	78,160
	RSG Top Slice: Data Cymru	405,100	404,140
	RSG Top Slice: National Adoption Service	450,200	318,800
	RSG Top Slice: Looked after children	460,000	569,099
	RSG Top Slice: LGA Workforce Support	200,000	200,000
		2,067,500	2,046,629

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11 WELSH GOVERNMENT OTHER PROJECT COSTS (excluding employee costs)	2020	2019
	£	£
Improvement fund	31,032	32,314
Sustainable Development	-	1,000
Waste Improvement	49,149	131,352
National Exercise Referral Scheme	12,995	26,738
National Autism Team	188,508	252,402
Education Training Standards Wales	13,739	15,235
Supporting Service Children in Education	268,721	250,370
Regional Skills Partnership	466,094	422,323
Armed Forces Free Swimming	53,180	40,491
Resilience and Safety	34,169	23,559
Supporting People Programme	-	3,733
Food and Fun (School Holiday Enrichment Programme)	673,485	393,938
Unaccompanied Asylum Seeking Children	335,303	513
Wales Strategic Migration Partnership	24,376	14,687
Local Authority Social Services	16,329	43,606
Ministerial Advisory Group on Children	-	65,195
National Commissioning Board	42,897	41,938
Armed Forces Covenant	600	8,979
Combined Education Grant	2,394,531	328,082
Education ICT Funding Grant	-	1,700,000
Music Education Provision Grant	-	1,400,000
National Youth Arts Wales	-	100,000
Cyber Essentials	-	95,000
Life long learning grant	9,342	19,621
Unadopted Roads Project	15,181	8,314
EU Transition funding	1,268,387	58,919
EU Transition Food Provision	1,250,000	-
EU Settled Status	224,000	-
Homelessness EUTF	52,500	-
Armed Forces Liaison Officer	250,000	-
Food in Schools	87,187	2,886
Safer Communities project	1,131	325
Horizon 2020	4,112	-
	<u>7,766,948</u>	<u>5,481,520</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12 OTHER EXPENSES	2020	2019
	£	£
Information communication technology	97,851	183,900
Website expenses	4,000	5,200
Research	3,075	33,735
Translation costs	35,738	71,443
Data Cymru (formerly Local Government Data Unit - Wales)	80,000	71,000
Professional and Consultancy fees	9,000	7,000
Conferences & events	45,048	49,893
Local Government Association	230,412	223,233
Directors of Public Protection	83,391	72,188
Principal Youth Officers Group	12,688	25,490
Miscellaneous expenses	37,419	46,166
WLGA Conference	1,875	23,828
Project costs	70,084	103,404
LA Support Arrangements	62,355	75,100
SWT Policy Officer	4,467	-
	<u>777,403</u>	<u>991,580</u>

13 DEBTORS	2020	2019
	£	£
Trade Debtors	117,664	379,555
Grant Debtors	1,302,252	878,865
Sundry Debtors	59,583	372,155
VAT	125,987	146,152
	<u>1,605,486</u>	<u>1,776,727</u>

14 CREDITORS	2020	2019
	£	£
Trade Creditors	1,089,895	1,085,357
Accruals	753,008	613,765
Deferred Income	1,708,168	2,242,963
Amounts owed to group undertakings	37,710	90,600
	<u>3,588,781</u>	<u>4,032,685</u>

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

	2020	2019
	£	£
Local Government Data Unit - Wales - (Data Cymru)	37,710	90,600
	<u>37,710</u>	<u>90,600</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15 RESERVES	General £	Designated £	Total £
Balance brought forward as previously stated	(6,202,402)	974,645	(5,227,757)
Loss for the year	(819,532)	-	(819,532)
Remeasurement (liabilities & assets)	1,723,000	-	1,723,000
At 31 March 2019	<u>(5,298,934)</u>	<u>974,645</u>	<u>(4,324,289)</u>

£180,000 of designated reserves represent reserves for Information and Communication Technology and Premises.

£244,645 of designated reserves represent reserves for Invest to Save measures.

£550,000 of designated reserves represent reserves for future pension liabilities.

16 FINANCIAL COMMITMENT

The Association has entered into a financial commitment with Cardiff County Council to pay £94,455 for Information and Communication Technology services up to 30 September 2021.

17 OPERATING LEASE COMMITMENT

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

	2020	2019
Land and Buildings		
Within one year	201,927	201,927
Between one and five years	100,863	302,640
	<u>302,790</u>	<u>504,567</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

18 SUBSIDIARY COMPANIES

Data Cymru (formerly Local Government Data Unit - Wales)

	2020	2019
	£	£
Deficit for the year	<u>(326,136)</u>	<u>(180,264)</u>
Capital and Reserves (after pension creditor)	<u>(177,622)</u>	<u>78,514</u>

Reserves before the pension deficit amounted to £862,378 (2019 £818,514). 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 £98,710 (2019 - £90,600).

During the year the Association was charged £328,910 (2019 - £218,890) by Data Cymru in the normal course of business.

During the year the Association paid a grant over to Data Cymru amounting to £405,100 (2019 - £404,320)

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 2020**

20 PENSION SCHEME

Balance sheet items	2020 £m	2019 £m
Market Value of Assets	21,779	22,447
Liabilities	29,486	30,974
(Deficit)	<u>(7,707)</u>	<u>(8,527)</u>

Deferred taxation has been ignored.

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

	Assets at 31 March 2020		Assets at 31 March 2019	
	£000s	%	£000s	%
Equities	11,281	51.8	11,044	49.2
Government Bonds	1,829	8.4	808	3.6
Other Bonds	1,133	5.2	2,739	12.2
Property	2,047	9.4	2,132	9.5
Cash/Liquidity	414	1.9	651	2.9
Other	5,075	23.3	5,073	22.6
	<u>21,779</u>		<u>22,447</u>	

Movement in Deficit	2020 £000s	2019 £000s
(Deficit) at beginning of year	(8,527)	(7,042)
Current Service Costs	(768)	(656)
Past service costs	(543)	-
Employer Contributions	673	633
Net interest on pension liabilities	(214)	(174)
Administration expense	(12)	(12)
Effects of curtailments	(39)	-
Remeasurements on liabilities & assets	1,723	(1,276)
(Deficit) at End of Year	<u>(7,707)</u>	<u>(8,527)</u>

Analysis of Pension Scheme Adjustment	2020 £000s	2019 £000s
Current Service Costs	(768)	(656)
Past service costs	(543)	-
Curtailments	(39)	-
Employer Contributions	673	633
Net Interest/Return on Assets	(214)	(174)
Administration expense	(12)	(12)
Net Profit / (Loss)	<u>(903)</u>	<u>(209)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20 PENSION SCHEME (CONT.)

Analysis of Net Interest/Return on Assets	2020 £000s	2019 £000s
Interest on plan assets	569	569
Interest on Pensionable Liabilities	(783)	(743)
Net Profit / (Loss)	<u>(214)</u>	<u>(174)</u>

Main Assumptions (cont.)

Financial:	2020	2019
CPI inflation	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%
Discount rate	2.4%	2.5%

Split of assets between investment categories:

Equities	51.8%	49.2%
Government Bonds	8.4%	3.6%
Other Bonds	5.2%	12.2%
Property	9.4%	9.5%
Cash/Liquidity	1.9%	2.9%
Other	23.3%	22.6%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20 PENSION SCHEME (CONT.)

	2020	2019
Post retirement mortality assumptions		
Non-retired members	S3PA CMI_2018_(1.75%) (131% males,106% females)	S2PA CMI_2015_[1.75%] (107%) males, S2PA CMI_2015_1.5% (92%) females
Retired members	S3PA CMI_2018_(1.75%) (124% males,104% females)	S2PA CMI_2015_[1.75%] (112%) males, S2PA CMI_2015_1.5% (99%) females
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.5 (25.9)years	25.2 (27.9) years
- current pensioner age 65	20.9 (24) years	22.2 (25) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020**

21 EFFECT OF PENSION SCHEME ON THE DEFICIT FOR THE YEAR

	2020	2019
	£	£
Deficit per accounts	(819,532)	(281,167)
PENSION SCHEME INCLUDED IN THE INCOME & EXPENSE ACCOUNT		
Pension adjustment	6 1,362,000	668,000
Expected return on pension scheme assets	(569,000)	(569,000)
Interest on pension scheme liabilities	783,000	743,000
 Employers Pension contributions eliminated as a result of Pension scheme	 (673,000)	 (633,000)
 ADJUSTED DEFICIT	 <u>83,468</u>	 <u>(72,167)</u>
 Transfer from / (to) designated reserves	 -	 -
	<u><u>83,468</u></u>	<u><u>(72,167)</u></u>

22 GOING CONCERN

The financial statements currently show that the Association has negative reserves of £4,278,701. The primary reason for the Association having negative reserves is the long term pension deficit of £7,707,000. 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 £3,428,299. 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 2020

Bevan Buckland LLP
Chartered Accountants
and Statutory Auditors
Langdon House, Langdon Road
SA1 Swansea Waterfront
Swansea

WELSH LOCAL GOVERNMENT ASSOCIATION

CONTENTS

	PAGE
Strategic Report	1 - 3
Report of the Chief Executive	4 - 5
Auditors' Report	6 - 7
Group Statement of Comprehensive Income	8
Association Statement of Comprehensive Income	9
Other Comprehensive Income	10
Group & Association Statement of Financial Position	11
Statement of Changes in Equity	12
Group Statement of Cash Flow	13
Notes to the Group Statement of Cash Flow	14
Notes to the Financial Statements	15 - 30

WELSH LOCAL GOVERNMENT ASSOCIATION STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE

The Welsh Local Government Association was established on 1st April 1996 by the twenty two unitary authorities in Wales. The three national park authorities, 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 scene through associate membership of the Local Government Association.

GROUP FINANCIAL STATEMENTS

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

REVIEW OF BUSINESS

The Covid-19 crisis has dominated the WLGA's work for the last 6 months and indeed most of this calendar year. It is difficult therefore not to focus on the crisis even though this report covers the year to the end of March 2020.

The WLGA's leadership changed during the autumn of 2019-20 with Cllr Andrew Morgan elected WLGA Leader replacing Cllr Debbie Wilcox when she was elevated to the House of Lords as Baroness Wilcox of Newport. Baroness Wilcox's leadership laid firm foundations for the WLGA and helped recast a relationship with Welsh Government focused on partnership and mutual respect

2019-20 was dominated by discussions on planning for Brexit and regional reform as the Local Government and Elections (Wales) Bill was introduced in the Senedd. There were some notable achievements and progress, not least the negotiation of the best local government settlement in over a decade. However, the impact of some of the worst winter floods and their impact on communities and authorities dominated the last quarter of 2020.

The challenges of flooding were followed by the outbreak of Covid-19 which represents the biggest global crisis for generations and the challenges it presents to local government, the people and communities of Wales are immense and relentless.

With the onset of Autumn, there is no sign of any respite and the forthcoming Winter is full of challenges for local government and public services in Wales. It seems clear that this global pandemic is going to be with us for some time to come and increasing infection rates resulting in further local lockdowns create more unease and uncertainty and makes planning with any certainty difficult.

Local government services are needed now more than ever before, and the WLGA has realigned itself, both its structure and work programme, to support the local government response to the coronavirus pandemic. Throughout this period, the WLGA has worked tirelessly in support of local councils as they provide essential services to their communities and the people they serve.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

REVIEW OF BUSINESS

The WLGA is founded on 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. This has never been more evident than during this crisis.

All 22 councils across Wales continue to work heroically to deliver core public services to their communities. They have demonstrated that they are rooted in their communities and that they understand and are responsive to the needs of the people they serve. Whether in creating education hubs for the vulnerable or the children of key workers at the start of the pandemic; sustaining free school meals services; supporting vulnerable adults through the *Shielding* scheme, supporting their local economies through the small businesses grant or setting up contact tracing systems in partnership with health boards they have performed and delivered magnificently. Whatever the need, whatever the challenge local government has risen and successfully delivered.

The WLGA has in turn supported all 22 local authorities in their efforts and looked to add value wherever possible in support of local government. The aim of the Association is always to promote, protect, support and advance local government and its associate members. That role has never been more important than it is now and in the coming months.

FINANCIAL REVIEW OF THE YEAR

The Welsh Local Government Association collects subscriptions from its members. In 2019/20 subscriptions were not increased. Since 2009-10, subscription income has fallen by nearly a third in real terms.

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 2019-20 the Association's grant income increased by £2.2m in comparison with the previous financial year. Full details of Welsh Government and other grants can be found on page 17.

In 2019-20 the Association provided funding from the Revenue Support Grant Top Slice of over £2.0m 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 19.

The Group shows a reduced deficit of £1,145,668 for 2019-20 compared to £461,430 in previous reporting period. The deficit is mainly due to the accounting treatment of the pensions and a breakdown is shown on page 30. The underlying operating surplus is £127,332 and is within planning assumptions after taking account of additional severance payments.

STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE

Across the UK and in Wales, local government continues to bear the brunt of austerity and the WLGA must shoulder its share of burdens. One of the strengths of the organisation is its ability to adapt and it has changed significantly since it was established in 1996. This has helped us cope with substantial reductions in subscription and grant income. Over the next period we face similar challenges as our members income will continue to decline in real terms, while we face the inescapable pressures of workforce and demand on top of the uncertainties of Brexit.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

STRATEGIC REPORT, REPORT OF THE CHIEF EXECUTIVE (CONTINUED)

The detailed budget for 2020-21 was considered by the WLGA Council where a balanced position was presented. Going forward 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 changes continue although with a decreasing number of voluntary departures. Spending on staff costs and governance, including members services, continues to fall compared with previous years.

The focus on increased member support and improved communications continues but as with so many aspects of the Association's work this has been overtaken by the Covid-19 crisis. Similarly, while the organisation has been aligning its capacity to support the revised corporate strategy and business plan but like all 22 local authorities, we have had to readjust our capacity to support authorities in their response to the crisis.

Our medium-term financial plan puts the Association on a solid and sustainable footing over the next 3 years. Over the current year will continue to assess our needs for office accommodation when the lease expires in September 2021 and work has been completed to baseline the information that will be required to advise the Association of future options for its location

GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,501,910. The primary reason for the Group having negative reserves is the long term pension liability of £8,747,000. This deficit is an estimate of the expected shortfall of assets over liabilities in the Association's 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 £4,245,090. There is no planned crystallisation of the pension liability and therefore the liability remains long term.

The Group has a strong cash position at the year end with a balance of £6,393,890, although, £2,457,405 is included as deferred income. This still leaves the Association in a strong cash position, and with the Association prepaying its pension deficit payments, this will have a positive impact on its cash position moving forward.

Therefore, 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.

ON BEHALF OF THE MEMBERS

.....
CHIEF EXECUTIVE - CHRIS LLEWELYN

DATE.....

**WELSH LOCAL GOVERNMENT ASSOCIATION
REPORT OF THE CHIEF EXECUTIVE
FOR THE YEAR ENDED 31 MARCH 2020**

The Chief Executive presents his report with the financial statements of the Consolidated accounts for the year ended 31 March 2020

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 2020**

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 2020 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

LOCAL GOVERNMENT HOUSE
DRAKE WALK
CARDIFF
CF10 4LG

.....
DATE

**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 for the year ended 31 March 2020 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 2020 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 Companies Act 2006.

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 £4,501,910. This is primarily due to the long term pension scheme deficit of £8,747,000 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Other information

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, 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.

Strategic report, Report of the Chief Executive

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Chief Executive for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Chief Executive has been prepared in accordance with applicable legal requirements.

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 the Companies Act 2006 requires us 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
- the Chief Executive was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Chief Executive.

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**

Auditors' 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 a Report of the Auditors 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.

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 Report of the Auditors.

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
Langdon House
Langdon Road
SA1 Swansea Waterfront
Swansea
SA1 8QY

Date:

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
INCOME			
Subscriptions	2	2,281,339	2,274,165
Grant Income	3	12,967,929	10,768,356
Other Income	4	649,983	535,535
		15,899,251	13,578,056
EXPENDITURE			
Staff Costs	5	4,302,530	4,163,521
Pension charge	6	1,782,000	908,000
Office Accommodation	7	372,011	383,840
Office Services	8	177,901	168,763
Member Services	9	28,506	59,765
Furniture and Equipment		4,200	18,000
RSG Top Slice Costs	10	1,662,400	1,642,489
Welsh Government Other Grant Costs	11	7,766,948	5,481,520
Other Expenses	12	712,270	1,011,173
Depreciation		14,302	15,379
		16,823,068	13,852,450
OTHER FINANCE INCOME/COSTS - PENSION LIABILITY			
Expected return on pension scheme assets		(569,000)	(569,000)
Interest on pension scheme liabilities		803,000	763,000
		17,057,068	14,046,450
OPERATING (DEFICIT) FOR THE YEAR		(1,157,817)	(468,394)
Interest Receivable		12,149	6,964
(DEFICIT) ON ORDINARY ACTIVITIES		(1,145,668)	(461,430)
Transfers to/(from) Designated reserves		-	-
(DEFICIT) AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		(1,145,668)	(461,430)

A note reconciling the movement of the deficit as a result of the pension liability adjustment can be found on page 30, note 22.

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

The notes on pages 15 - 30 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
INCOME			
Subscriptions	2	2,281,339	2,274,165
Project Income	3	12,441,241	10,172,419
Other Income	4	562,215	494,014
		15,284,795	12,940,598
EXPENDITURE			
Staff Costs	5	3,356,778	3,247,350
Pension scheme charge	6	1,362,000	668,000
Office Accommodation	7	370,739	382,600
Office Services	8	168,402	159,285
Member Services	9	28,506	59,765
Furniture and Equipment		4,200	18,000
RSG Top Slice Costs	10	2,067,500	2,046,629
Welsh Government Other Grant Costs	11	7,766,948	5,481,520
Other Expenses	12	777,403	991,580
		15,902,476	13,054,729
OTHER FINANCE INCOME/COSTS			
Expected return on pension scheme assets		(569,000)	(569,000)
Interest on pension scheme liabilities		783,000	743,000
		16,116,476	13,228,729
OPERATING DEFICIT FOR THE YEAR		(831,681)	(288,131)
Interest Receivable		12,149	6,964
DEFICIT ON ORDINARY ACTIVITIES		(819,532)	(281,167)
Transfers to/(from) Designated reserves	15	-	-
DEFICIT AFTER TRANSFER TO/(FROM) DESIGNATED RESERVES		(819,532)	(281,167)

A note reconciling the movement of the deficit as a result of pension scheme adjustment can be found on page 27, note 21.

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

The notes on pages 15 - 27 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP OTHER COMPREHENSIVE INCOME
AS AT 31 MARCH 2020**

	2020	2019
	£	£
WELSH LOCAL GOVERNMENT ASSOCIATION		
Group (deficit) for the financial year	(1,145,668)	(461,430)
OTHER COMPREHENSIVE INCOME		
Remeasurements on assets	2,982,000	(1,661,000)
Remeasurements on liabilities	(1,189,000)	685,000
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,793,000</u>	<u>(976,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>647,332</u></u>	<u><u>(1,437,430)</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

		GROUP		Association	
	Notes	2020 £	2019 £	2020 £	2019 £
FIXED ASSETS					
Tangible assets	13	16,762	30,106	-	-
CURRENT ASSETS					
Amounts falling due within one year	14	1,607,100	1,830,006	1,605,486	1,776,727
Cash at Bank and in hand		<u>6,418,451</u>	<u>6,393,890</u>	<u>5,366,006</u>	<u>5,555,201</u>
		8,025,551	8,223,896	6,971,492	7,331,928
CURRENT LIABILITIES	15	<u>3,797,223</u>	<u>4,136,244</u>	<u>3,588,781</u>	<u>4,032,685</u>
NET ASSETS EXCLUDING PENSION LIABILITY		4,245,090	4,117,758	3,382,711	3,299,243
PENSION LIABILITY	21	(8,747,000)	(9,267,000)	(7,707,000)	(8,527,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(4,501,910)</u>	<u>(5,149,242)</u>	<u>(4,324,289)</u>	<u>(5,227,757)</u>
FINANCED BY:					
Reserves	16	(4,501,910)	(5,149,242)	(4,324,289)	(5,227,757)
		<u>(4,501,910)</u>	<u>(5,149,242)</u>	<u>(4,324,289)</u>	<u>(5,227,757)</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

The notes on pages 15 - 30 form part of these financial statements.

**WELSH LOCAL GOVERNMENT ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Retained earnings £	Total equity £
Balance as 1 April 2018	(3,711,812)	(3,711,812)
Changes in Equity		
Total comprehensive income	<u>(1,437,430)</u>	<u>(1,437,430)</u>
Balance at 31 March 2019	<u>(5,149,242)</u>	<u>(5,149,242)</u>
Changes in Equity		
Total comprehensive income	<u>647,332</u>	<u>647,332</u>
Balance at 31 March 2020	<u>(4,501,910)</u>	<u>(4,501,910)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
GROUP STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
	1	<u>13,370</u>	<u>1,681,023</u>
Net cash from operating activities		<u>13,370</u>	<u>1,681,023</u>
Cash flows from investing activities			
Interest received		12,149	6,964
Purchase of tangible fixed assets		<u>(958)</u>	<u>(29,250)</u>
		11,191	(22,286)
Net cash from investing activities		<u>24,561</u>	<u>1,658,737</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>6,393,890</u>	<u>4,735,153</u>
Cash and cash equivalents at end of year	2	<u><u>6,418,451</u></u>	<u><u>6,393,890</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

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

	2020	2019
	£	£
Operating (Deficit) for the year	(1,157,817)	(468,394)
Depreciation	14,302	15,379
FRS17 Pension adjustment	1,782,000	908,000
Pension contributions paid	(703,000)	(703,000)
Other finance income/costs	194,000	194,000
	<u>129,485</u>	<u>(54,015)</u>
Decrease / (Increase) in debtors	272,496	1,225,233
(Decrease) / Increase in creditors	(388,611)	509,805
Cash generated from operations	<u><u>13,370</u></u>	<u><u>1,681,023</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 2020	31.03.20	01.04.19
	£	£
Cash and cash equivalents	<u><u>6,418,451</u></u>	<u><u>6,393,890</u></u>
Year ended 31 March 2019	31.03.19	01.04.18
	£	£
Cash and cash equivalents	<u><u>6,393,890</u></u>	<u><u>4,735,153</u></u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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;

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.

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1 ACCOUNTING POLICIES - CONT.

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 does not capitalise fixed assets but charges them to the income and expenditure account in the year of acquisition. The Association purchased furniture and equipment during the year of £18,000 (2019 £2,895).

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.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of an trade discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial Instruments

The Association only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2 SUBSCRIPTIONS

All of the 22 unitary local authorities were in membership with the Association in 2019/20. 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 2020

3	WELSH GOVERNMENT AND OTHER PROJECT INCOME	Group		Association	
		2020 £	2019 £	2020 £	2019 £
	RSG Top Slice Retained	874,800	871,270	874,800	871,270
	RSG Top Slice: National Eisteddfod	339,700	340,750	339,700	340,750
	RSG Top Slice: Urdd Eisteddfod	135,300	135,680	135,300	135,680
	RSG Top Slice: Royal Welsh Show	77,900	78,160	77,900	78,160
	RSG Top Slice: Data Cymru	405,100	404,140	405,100	404,140
	RSG Top Slice: National Adoption Service	325,200	318,800	325,200	318,800
	RSG Top Slice: Looked after Children	585,000	585,000	585,000	585,000
	RSG Top Slice: LGA Workforce support	200,000	200,000	200,000	200,000
	RSG Top Slice: Food in Schools	190,966	185,186	190,966	185,186
	Improvement fund	31,032	38,845	31,032	38,845
	National Exercise Referral Scheme	162,327	166,994	162,327	166,994
	Waste Improvement	335,801	394,314	335,801	394,314
	National Autism Team	663,793	701,817	663,793	701,817
	Education Training Standards Wales	45,128	37,779	45,128	37,779
	Supporting Service Children in Wales	363,846	307,351	363,846	307,351
	Data Unit Specific Project Income	526,688	595,936	-	-
	Regional Skills Partnership	466,094	508,359	466,094	508,359
	Armed Forces Free Swimming	53,180	49,479	53,180	49,479
	Resilience and Safety	103,799	100,008	103,799	100,008
	Supporting People Programme	-	26,225	-	26,225
	Unaccompanied Asylum Seeking Children	335,303	513	335,303	513
	Horizon 2020	4,112	887	4,112	887
	Combined Education Grant	2,428,599	376,282	2,428,599	376,282
	Education ICT Funding Grant	-	1,700,000	-	1,700,000
	Music Education Provision Grant	-	1,400,000	-	1,400,000
	National Youth Arts Wales	-	100,000	-	100,000
	Local Authority Social Services	16,329	43,606	16,329	43,606
	Ministerial Advisory Group on Children	-	70,195	-	70,195
	National Commissioning Board	42,897	94,762	42,897	94,762
	Food and Fun	771,373	497,038	771,373	497,038
	Wales Strategic Migration Partnership	232,000	199,800	232,000	199,800
	Cyber Essentials	-	95,000	-	95,000
	EU Transition Funding	1,299,302	73,132	1,299,302	73,132
	Unadopted Roads Project	42,901	26,036	42,901	26,036
	Life Long Learning Grant	9,342	23,516	9,342	23,516
	Safer Communities project	83,173	21,496	83,173	21,496
	Taxi Licencing Project	34,822	-	34,822	-
	EU Transition Food Provision	1,250,000	-	1,250,000	-
	EU Settled Status	224,000	-	224,000	-
	Homelessness EUTF	57,500	-	57,500	-
	Armed Forces Covenant	622	-	622	-
	Armed Forces Liaison Officer	250,000	-	250,000	-
		12,967,929	10,768,356	12,441,241	10,172,419

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

4 OTHER INCOME	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Conference Fees, Charges and Training Even	25,532	51,317	25,532	51,317
Policy	19,305	38,871	19,305	40,365
ADEW Support Officer	30,000	30,000	30,000	30,000
Directors of Public Protection	83,391	72,238	83,391	72,238
Principal Youth Officers Group	7,328	10,399	7,328	10,399
Youth Officer	-	10,000	-	10,000
SWT Policy Officer	73,694	43,872	73,694	43,872
Rental income	43,500	3,500	43,500	43,500
Data Unit other income	87,768	83,015	-	-
Candidates survey	-	12,950	-	12,950
Secondment costs	262,815	179,373	262,815	179,373
Local Authority Support Arrangements	16,650	-	16,650	-
	<u>649,983</u>	<u>535,535</u>	<u>562,215</u>	<u>494,014</u>

5 STAFF COSTS

	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Average monthly number of employees	<u>85</u>	<u>81</u>	<u>61</u>	<u>58</u>

	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Total staff costs were as follows:				
Salaries (including redundancy costs)	3,793,120	3,659,347	2,971,079	2,866,895
Employers National Insurance	372,269	354,219	286,242	273,780
Training	9,651	14,551	6,967	12,045
Travel and Subsistence	103,982	114,792	89,048	88,441
Recruitment and Advertising	23,508	20,612	3,442	6,189
	<u>4,302,530</u>	<u>4,163,521</u>	<u>3,356,778</u>	<u>3,247,350</u>

Included in the above staff costs are early retirement costs of £42,944 (2019 £30,739).

The remuneration of the Chief Executive of the Association, together with employer's pension contributions amounted to £158,456 (2019 - £193,268), which can be analysed as follows:-

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

5 STAFF COSTS - Cont.		2020	2019
		£	£
Gross Salary		125,211	125,312
Employer's National Insurance		16,091	20,372
Employer's Superannuation		17,154	16,845
Early retirement		-	30,739
		<u>158,456</u>	<u>193,268</u>

6 PENSION SCHEME INCOME & EXPENDITURE CHARGE	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Current service cost	1,188,000	896,000	768,000	656,000
Past service costs	543,000	-	543,000	-
Curtailments	39,000	-	39,000	-
Administration expenses	12,000	12,000	12,000	12,000
	<u>1,782,000</u>	<u>908,000</u>	<u>1,362,000</u>	<u>668,000</u>

7 OFFICE ACCOMMODATION

During the year ended 31 March 2002, the Association occupied the Local Government House, Drake Walk, Atlantic Wharf, Cardiff under a tenancy agreement from Doublet Holdings Limited. The rent payable is £176,800 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 £12,166 (2019 - £11,363). Also included are amounts relating to non audit fees of £4,150 (2019 - £4,170).

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	
	2020	2019	2020	2019
	£	£	£	£
RSG Top Slice: National Eisteddfod	339,000	340,750	339,000	340,750
RSG Top Slice: Urdd Eisteddfod	135,300	135,680	135,300	135,680
RSG Top Slice: Royal Welsh Show	77,900	78,160	77,900	78,160
RSG Top Slice: Local Government Data Unit		-	405,100	404,140
RSG Top Slice: National Adoption Service	450,200	318,800	450,200	318,800
RSG Top Slice: Looked after children	460,000	569,099	460,000	569,099
RSG Top Slice: LGA	200,000	200,000	200,000	200,000
	<u>1,662,400</u>	<u>1,642,489</u>	<u>2,067,500</u>	<u>2,046,629</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11 WELSH GOVERNMENT OTHER PROJECT COSTS (EXCLUDING EMPLOYEE COSTS)

	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Improvement fund	31,032	32,314	31,032	32,314
Sustainable Development	-	1,000	-	1,000
Waste Improvement	49,149	131,352	49,149	131,352
National Exercise Referral Scheme	12,995	26,738	12,995	26,738
National Autism Team	188,508	252,402	188,508	252,402
Education Training Standards Wales	13,739	15,235	13,739	15,235
Supporting Service Children in Education	268,721	250,370	268,721	250,370
Regional Skills Partnership	466,094	422,323	466,094	422,323
Armed Forces Free Swimming	53,180	40,491	53,180	40,491
Resilience and Safety	34,169	23,559	34,169	23,559
Supporting People Programme	-	3,733	-	3,733
Food and Fun	673,485	393,938	673,485	393,938
Unaccompanied Asylum Seeking Childre	335,303	513	335,303	513
Wales Strategic Migration Partnership	24,376	14,687	24,376	14,687
Local Authority Social Services	16,329	43,606	16,329	43,606
Ministerial Advisory Group on Children	-	65,195	-	65,195
National Commissioning Board	42,897	41,938	42,897	41,938
Armed Forces Covenant	600	8,979	600	8,979
Combined Education Grant	2,394,531	328,082	2,394,531	328,082
Education ICT Funding Grant	-	1,700,000	-	1,700,000
Music Education Provision Grant	-	1,400,000	-	1,400,000
National Youth Arts Wales	-	100,000	-	100,000
Cyber Essentials	-	95,000	-	95,000
Life long learning grant	9,342	19,621	9,342	19,621
Unadopted Roads Project	15,181	8,314	15,181	8,314
EU Transition funding	1,268,387	58,919	1,268,387	58,919
EU Transition Food Provision	1,250,000	325	1,250,000	325
EU Settled Status	224,000	-	224,000	-
Homelessness EUTF	52,500	-	52,500	-
Armed Forces Liaison Officer	250,000	-	250,000	-
Food in Schools	87,187	2,886	87,187	2,886
Safer Communities project	1,131	-	1,131	-
Horizon 2020	4,112	-	4,112	-
	7,766,948	5,481,520	7,766,948	5,481,520

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12 OTHER EXPENSES	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Information communication technology	97,851	183,900	97,851	183,900
Website expenses	4,000	5,200	4,000	5,200
Research	3,075	33,735	3,075	33,735
Translation costs	35,738	71,443	35,738	71,443
Local Government Data Unit - Wales	-	-	80,000	71,000
Professional and Consultancy fees	9,000	7,000	9,000	7,000
Conferences & events	45,048	49,893	45,048	49,893
Local Government Association	230,412	223,233	230,412	223,233
Directors of Public Protection	83,391	72,188	83,391	72,188
Principal Youth Officers Group	12,688	25,490	12,688	25,490
Miscellaneous expenses	37,419	46,166	37,419	46,166
WLGA Conference	1,875	23,828	1,875	23,828
Project costs	70,084	193,997	70,084	103,404
LA Support Arrangements	77,222	75,100	62,355	75,100
SWT Policy Officer	4,467	-	4,467	-
	<u>712,270</u>	<u>1,011,173</u>	<u>777,403</u>	<u>991,580</u>

FIXED ASSETS	(GROUP)	Office & Computer Equipment £
At 1 April 2019		123,925
Additions		958
Disposals		-
At 31 March 2020		<u>124,883</u>
DEPRECIATION		
At 1 April 2019		93,819
Charge for Year		14,302
Elimated on disposal		-
At 31 March 2020		<u>108,121</u>
NET BOOK VALUE		
At 31 March 2020		<u>16,762</u>
At 31 March 2019		<u>30,106</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14 DEBTORS	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Trade Debtors	168,318	517,899	117,664	379,555
Grant Debtors	1,338,077	878,865	1,302,252	878,865
Sundry Debtors	59,583	372,155	59,583	372,155
VAT	41,122	61,087	125,987	146,152
	<u>1,607,100</u>	<u>1,830,006</u>	<u>1,605,486</u>	<u>1,776,727</u>

15 CREDITORS	Group		Association	
	2020 £	2019 £	2020 £	2019 £
Trade Creditors	1,204,461	1,098,433	1,089,895	1,085,357
Accruals	708,849	580,406	753,008	564,865
Deferred Income	1,883,913	2,457,405	1,708,168	2,291,863
Amounts owed to group undertakings	-	-	37,710	90,600
	<u>3,797,223</u>	<u>4,136,244</u>	<u>3,588,781</u>	<u>4,032,685</u>

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

	2020 £	2019 £	2020 £	2019 £
Local Government Data Unit - Wales (Data Cymru)	-	-	37,710	90,600
	<u>-</u>	<u>-</u>	<u>37,710</u>	<u>90,600</u>

16 RESERVES - GROUP	General £	Designated £	Total £
Balance brought forward	(6,123,887)	974,645	(5,149,242)
Deficit for the year	(1,145,668)	-	(1,145,668)
Remeasurement (liabilities & assets)	1,793,000	-	1,793,000
Transfer between reserves	-	-	-
At 31 March 2020	<u>(5,476,555)</u>	<u>974,645</u>	<u>(4,501,910)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

16 RESERVES - Association	General £	Designated £	Total £
Balance brought forward	(6,202,402)	974,645	(5,227,757)
Deficit for the year	(819,532)	-	(819,532)
Remeasurement (liabilities & assets)	1,723,000	-	1,723,000
Transfer between reserves	-	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020	<u>(5,298,934)</u>	<u>974,645</u>	<u>(4,324,289)</u>

£180,000 of designated reserves represent reserves for Information and Communication Technology

£244,645 of designated reserves represent reserves for Invest to Save measures.

£550,000 of designated reserves represent reserves for future pension liabilities.

17 FINANCIAL COMMITMENT

The Association has entered into a financial commitment with Cardiff County Council to pay £94,455 for Information and Communication Technology services up to 30 September 2021.

18 OPERATING LEASE COMMITMENT

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

	2020 £	2019 £
Land and Buildings		
Within one year	201,927	201,927
Between one and five years	100,863	302,640
	<u>302,790</u>	<u>504,567</u>

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.

20 SUBSIDIARIES

The following was a subsidiary of the parent company Welsh Local Government Association at 31 March 2020;

Local Government Data Unit - Wales

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20 PENSION SCHEME - ASSOCIATION

Balance sheet items	2020	2019
	£m	£m
Market Value of Assets	21,779	22,447
Liabilities	29,486	30,974
(Deficit)	<u>(7,707)</u>	<u>(8,527)</u>

Deferred taxation has been ignored.

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

	Assets at 31 March 2020		Assets at 31 March 2019	
	£000s	%	£000s	%
Equities	11,281	51.8	11,044	49.2
Government Bonds	1,829	8.4	808	3.6
Other Bonds	1,133	5.2	2,739	12.2
Property	2,047	9.4	2,132	9.5
Cash/Liquidity	414	1.9	651	2.9
Other	5,075	23.3	5,073	22.6
	<u>21,779</u>		<u>22,447</u>	

Movement in Deficit	2020	2019
	£000s	£000s
(Deficit) at beginning of year	(8,527)	(7,042)
Current Service Costs	(768)	(656)
Past service costs	(543)	-
Employer Contributions	673	633
Net interest on pension liabilities	(214)	(174)
Administration expense	(12)	(12)
Effects of curtailments	(39)	-
Remeasurements on liabilities & assets	1,723	(1,276)
(Deficit) at End of Year	<u>(7,707)</u>	<u>(8,527)</u>

Analysis of Pension Scheme Adjustment	2020	2019
	£000s	£000s
Current Service Costs	(768)	(656)
Past service costs	(543)	-
Curtailments	(39)	-
Employer Contributions	673	633
Net Interest/Return on Assets	(214)	(174)
Administration expense	(12)	(12)
Net Profit / (Loss)	<u>(903)</u>	<u>(209)</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20 PENSION SCHEME (CONT.) - ASSOCIATION

Analysis of Net Interest/Return on Assets	2020 £000s	2019 £000s
Interest on plan assets	569	569
Interest on Pensionable Liabilities	(783)	(743)
Net Profit / (Loss)	<u>(214)</u>	<u>(174)</u>

Main Assumptions (cont.)

Financial:	2020	2019
CPI inflation	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%
Discount rate	2.4%	2.5%

Split of assets between investment categories:

Equities	51.8%	49.2%
Government Bonds	8.4%	3.6%
Other Bonds	5.2%	12.2%
Property	9.4%	9.5%
Cash/Liquidity	1.9%	2.9%
Other	23.3%	22.6%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20 PENSION SCHEME (CONT.) - ASSOCIATION

	2020	2019
Post retirement mortality assumptions		
Non-retired members	S3PA CMI_2018_(1.75%) (131% males,106% females)	S2PA CMI_2015_[1.75%] (107%) males, S2PA CMI_2015_1.5% (92%) females
Retired members	S3PA CMI_2018_(1.75%) (124% males,104% females)	S2PA CMI_2015_[1.75%] (112%) males, S2PA CMI_2015_1.5% (99%) females
Life expectancy of a male (female)		
- future pensioner age 65 in 20 years time	22.5 (25.9)years	25.2 (27.9) years
- current pensioner age 65	20.9 (24) years	22.2 (25) years

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22 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 2020

The Employer's regular contributions to the Fund for the accounting period 31 March 2020 are estimated to be £0.07M. 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	
	2020	2019
	£	£
Present value of funded obligations	(6,080,000)	(6,290,000)
Fair value of plan assets	5,040,000	5,550,000
Present value of unfunded obligations	(1,040,000)	(740,000)
Deficit	(1,040,000)	(740,000)
Net liability	(1,040,000)	(740,000)

WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in surplus are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Current service cost	340,000	240,000
Financing		
Interest on net defined benefit liability	150,000	150,000
Total expense in the Income & Expenditure account	<u>490,000</u>	<u>390,000</u>
Actual return on plan assets	<u>110,000</u>	<u>500,000</u>

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

	Defined benefit pension plans	
	2020	2019
	£	£
Opening defined benefit obligation	6,290,000	5,850,000
Current service cost	340,000	240,000
Contributions by scheme participants	80,000	60,000
Interest cost	150,000	150,000
Actuarial losses/(gains)	(310,000)	70,000
Benefits paid	(470,000)	(80,000)
	<u>6,080,000</u>	<u>6,290,000</u>

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

	Defined benefit pension plans	
	2020	2019
	£	£
Opening fair value of scheme assets	5,550,000	5,000,000
Contributions by employer	70,000	70,000
Contributions by scheme participants	-	60,000
Interest income on assets	130,000	130,000
Assests other remeasurements	(240,000)	370,000
Benefits paid	(470,000)	(80,000)
	<u>5,040,000</u>	<u>5,550,000</u>

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22 PENSION SCHEME - SUBSIDIARY (CONT.)

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Assets other remeasurements	(240,000)	370,000

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

	Defined benefit pension plans	
	2020	2019
Equities	68.10%	64.50%
Government bonds	7.50%	6.90%
Corporate bonds	11.40%	13.50%
Cash	11.80%	11.60%
Property	1.20%	3.50%
	100.00%	100.00%

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

	2020	2019
Discount rate	2.30%	2.50%
CPI Inflation	1.80%	2.10%
Pension increases	1.80%	2.10%
Pension accounts revaluation rate	1.80%	2.00%
Rate of general increase in salaries	3.05%	3.35%

**WELSH LOCAL GOVERNMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020**

22 EFFECT OF PENSION SCHEME ON THE SURPLUS FOR THE YEAR

	Group		Association	
	2020 £	2019 £	2020 £	2019 £
(Deficit) per accounts	(1,145,668)	(461,430)	(819,532)	(281,167)

PENSION SCHEME INCLUDED IN THE INCOME AND EXPENSE ACCOUNT

Pension adjustment	6	1,782,000	908,000	1,362,000	668,000
Expected return on pension scheme assets		(569,000)	(569,000)	(569,000)	(569,000)
Interest on pension scheme liabilities		803,000	763,000	783,000	743,000
Employers Pension contributions eliminated as a result of pension scheme		(743,000)	(703,000)	(673,000)	(633,000)
ADJUSTED SURPLUS (PRE PENSION SCHEME)		<u>127,332</u>	<u>(62,430)</u>	<u>83,468</u>	<u>(72,167)</u>
Transfer from / (to) designated reserves		-	-	-	-
		<u><u>127,332</u></u>	<u><u>(62,430)</u></u>	<u><u>83,468</u></u>	<u><u>(72,167)</u></u>

23 GOING CONCERN

The financial statements currently show that the Group has negative reserves of £4,501,910. The primary reason for the Group having negative reserves is the long term pension deficit of £8,747,000. 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 £4,245,090. This gives the Chief Executive confidence that the Group can continue as a going concern for the foreseeable future.