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**TO: Councillor: Ian Roberts (Chairman)**  
Councillors: Haydn Bateman, Quentin Dodd, Alison  
Halford, Billy Mullin, Mike Peers, Peter Pemberton

Your Ref /  
Eich Cyf

U'r Ref / Ein Cyf <sup>ST Â</sup>

Date / Dyddiad 05/07/2011

Ask for / Gofynner am Sharon Thomas

Direct Dial / Rhif Union 01352 702324

Fax / Ffacs

Dear Sir / Madam,

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD** on **WEDNESDAY, 13 JULY 2011** at **09:00** to consider the following items.

**Please note that the meeting will commence at 9am.**

Yours faithfully

Democracy and Governance Manager

#### AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
3. **STATEMENT OF ACCOUNTS 2010/11**  
Report of Head of Finance enclosed
4. **TREASURY MANAGEMENT UPDATE**  
Report of Head of Finance enclosed

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The Council welcomes correspondence in Welsh or English  
Mae'r Cyngor yn croesawu gohebiaeth yn y Gymraeg neu'r Saesneg

## FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 3

**REPORT TO:**     **AUDIT COMMITTEE**  
**DATE :**         **13 JULY 2011**  
**REPORT BY:**   **HEAD OF FINANCE**  
**SUBJECT :**      **STATEMENT OF ACCOUNTS 2010/11**

### **1.00 PURPOSE OF REPORT**

- 1.01 To present the Statement of Accounts 2010/11 (subject to audit) for Members' information only at this stage.

### **2.00 BACKGROUND**

- 2.01 The Accounts and Audit (Wales) (Amendment) Regulations 2010 (Regulation 11) specify the statutory deadline for the approval of the accounts, being 30th September.

### **3.00 CONSIDERATIONS**

#### **Audit Requirements**

- 3.01 The audit must be completed and the Statement of Accounts approved and published by no later than 30th September 2011. At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustments to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final Statement will be presented to Audit Committee on the morning of 28th September 2011, and recommended to Council on the afternoon of the same day.
- 3.02 Arrangements will be made for members to attend drop in sessions over the summer period (subject to discussion at Audit Committee), in order to obtain any further required information regarding the draft accounts, or to raise questions prior to consideration of the final position at the end of September.

#### **Accounting Policies**

- 3.03 The Flintshire County Council accounts have been prepared in accordance with the requirements of the 2010/11 Code of Practice on Local Authority Accounting - Based on International Financial Reporting Standards (IFRS); the 2010/11 Accounts are the first to be prepared under the international standards.
- 3.04 The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the IFRS Code, which complies in principle with the main recommendations of 'Financial Reports of Pension Schemes' issued by the

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Date: 05/07/2011

Pensions Research Accountants Group (PRAG), with some revisions in the disclosure requirements.

- 3.05 The move to an IFRS based 2010/11 Code has prompted some significant changes in the accounting policies (and main financial statements) of the Council, including those relating to segmental accounting, asset valuation, leases and employee benefits accounting. There have been no changes in the adopted estimation techniques and no material and unusual charges or credits are included within the accounts.

### **Annual Governance Statement**

- 3.06 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework Delivering Good Governance in Local Government.

The Annual Governance Statement explains how Flintshire County Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

### **Information Included in the Statement of Accounts**

- 3.07 The statements included are :-
- The core financial statements comprising of – the movement in reserves statement, the comprehensive income and expenditure statement, balance sheet and cash flow statement.
  - The supplementary financial statements – the housing revenue account income and expenditure statement.
  - The group accounts comprising of the group comprehensive income and expenditure statement (only) for 2010/11, which covers the period up until 1st October 2010, when the company's activities were brought in-house.
  - The pension fund accounts.

## **4.00 RECOMMENDATIONS**

- 4.01 Members are requested to note -

(a) the draft Annual Statement of Accounts 2010/11 (including the Annual Governance Statement), together with the underlying policies.

(b) the planned provision of drop in sessions over the summer period, subject to Members' consideration at Audit Committee.

**5.00 FINANCIAL IMPLICATIONS**

5.01 As set out in the report.

**6.00 ANTI-POVERTY IMPACT**

6.01 None.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None.

**8.00 EQUALITIES IMPACT**

8.01 None.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None.

**10.00 CONSULTATION REQUIRED**

10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None.

**12.00 APPENDICES**

12.01 Statement of Accounts 2010/11.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985  
BACKGROUND DOCUMENTS**

None

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# **STATEMENT OF ACCOUNTS**

## **DATGANIAD CYFRIFON**

**2010-11**



**CYNGOR SIR Y FFLINT**

**FLINTSHIRE COUNTY COUNCIL**

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## EXPLANATORY FOREWORD

The Statement of Accounts 2010/11 provides details of the Council's financial position for the year ended 31st March 2011. The information presented on pages 31 to 92 is in accordance with the requirements of the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Statements (IFRS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis, where relevant to Local Authorities, and has been prepared in accordance with IFRS 1 (first time adoption). The statements included are :-

- The core financial statements comprising of –
  - **the movement in reserves statement** – this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.
  - **the comprehensive income and expenditure statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
  - **balance sheet** - the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
  - **cash flow statement** - the Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

## EXPLANATORY FOREWORD

continued

- The supplementary financial statements comprising of –
  - **the housing revenue account income and expenditure statement** – The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.
- The group accounts comprising of –
  - **the group** comprehensive income and expenditure statement only, which covers the period up until 1st October 2010, when the company's activities were brought in-house.

The pension fund accounts are presented on pages 93 to 105, in accordance with required guidance.

### REVENUE BUDGET AND OVERALL FINANCIAL POSITION

The budget for 2010/11 was set against the backdrop of a challenging financial future with significant reductions in government funding anticipated in each of the three future years (2011/12 to 2013/14); 2010/11 was seen as the critical year in planning to meet the challenges of future years. The continuing impact of the economic downturn influenced the setting of a prudent and realistic 2010/11 budget, but a budget which continued to support schools, looked after children, and those people of all ages with care needs, whether cared for in a residential setting or in the community. The Council has continued with its ambitious organisational change programme with the aim of ensuring maximum efficiency, and reducing overhead costs – the 2010/11 budget identified over £6m of savings by way of the change programme.

Total net expenditure for 2010/11 amounted to £240,905k against a budget of £241,890k.

	2010/11 Budget	2010/11 Actual	Variance	2009/10 Actual
	£000	£000	£000	£000
Net expenditure on services	228,025	227,193	(832)	221,162
Central loans and investment account	13,865	13,712	(153)	13,642
<b>Total net expenditure</b>	<b>241,890</b>	<b>240,905</b>	<b>(985)</b>	<b>234,804</b>
<b>Financed by</b>				
Council tax (net of community council precepts expenditure)	53,196	53,079	117	51,318
General grants	146,458	146,458	0	143,293
Non-domestic rates redistribution	42,236	42,236	0	40,437
<b>Total resources</b>	<b>241,890</b>	<b>241,773</b>	<b>117</b>	<b>235,048</b>
Net variance - (underspend)	0	(868)	(868)	(244)

The net underspend of £985k, decreased to £868k by way of reduced Council tax income (£117k). The £868k, has served with other agreed funding transfers of £5,997k to produce a year-end Council fund revenue reserves total of £34,111k, which incorporates a Council fund balance element of £32,137k.



## EXPLANATORY FOREWORD

continued

## REVENUE BUDGET AND OVERALL FINANCIAL POSITION (continued)

	Net			2010 £000
	2011 £000	Underspend £000	Other £000	
Unearmarked balances	5,962	868	(1,183)	6,277
Earmarked balances	26,175	0	6,656	19,519
<b>Council fund balance</b>	<b>32,137</b>	<b>868</b>	<b>5,473</b>	<b>25,796</b>
Locally managed schools (not available for general purposes)	1,974	0	524	1,450
<b>Total council fund revenue reserves</b>	<b>34,111</b>	<b>868</b>	<b>5,997</b>	<b>27,246</b>

## ASSETS ACQUIRED AND LIABILITIES INCURRED

The assets of AD Waste Limited were purchased by the Council for the consideration of £4,531,398; the purchase price figure is contained in the signed and sealed “Agreement – for the sale and purchase of the business of AD Waste Limited” document dated 28th September 2010.

Significant expenditure was incurred during the year in progressing the amalgamation of Custom House Junior and Dee Road Infants School, Connah’s Quay (£533k); related works will continue through until 2012/13 (£3,820k). A substantial part of the overall funding of the scheme is to be provided by way of Welsh Government 21st Century Schools Grant.

## PENSIONS

Disclosures are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability. The liability recorded in the balance sheet (£202.30m) is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance.

## BORROWING FACILITIES

No new long term borrowing was undertaken during 2010/11, with principal outstanding remaining at £173.613m; the Council continues to use cash reserves to fund capital expenditure in place of new borrowing.

## SOURCES OF CAPITAL FINANCING

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The programme is financed by way of supported borrowing, unsupported (prudential) borrowing, capital receipts, capital grants and contributions, reserves and revenue account funding.

	2011 £000	2010 £000
Supported borrowing	7,773	7,759
Unsupported (prudential) borrowing	757	409
Capital receipts	217	213
Capital grants and contributions	17,783	21,651
Capital reserves/capital expenditure funded from revenue account	3,296	1,035
<b>Total financing</b>	<b>29,826</b>	<b>31,067</b>

**EXPLANATORY FOREWORD**

continued

**REVALUATION OF ASSETS**

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2010/11 (the first year of the new cycle, commencing 1st April 2010), 10% of the total assets were revalued. The 2010/11 revaluation has resulted in an increase in the value of non-current property assets recorded in the balance sheet (from £899k to £986k.)

## STATEMENT OF ACCOUNTING POLICIES

### GENERAL MATTERS -

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the requirements of the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom – Based on IFRS (the Code) issued by CIPFA, supported by guidance notes on the application of accounting standards.

The move to an IFRS-based Code from a UK GAAP-based Statement of Recommended Practice (the SORP) has prompted some significant changes in the accounting policies of the Council, and changes to the main financial statements, reflecting the additional requirement regarding segmental reporting, greater emphasis on component accounting, measurement of investment properties at fair value with gains and losses recognised in Surplus or Deficit, impairment losses being taken initially to the revaluation reserve, and a new classification of non-current assets held for sale. Also, property leases are classified and accounted for separately as land and buildings, grants for capital purposes will be recognised as income immediately and employee benefits are accounted for as they are earned.

There have been no changes in the adopted estimation techniques, and no material and unusual charges or credits are included within the accounts.

### STANDARDS ISSUED BUT NOT YET ADOPTED

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Council's accounting periods beginning on or after 1st April 2011 or later periods, but the Council has not early adopted them:

- IFRS 9 'Financial Instruments'. The Council will apply IFRS 9 from 1st April 2013. It is not expected to have a material impact on the Council's financial statements.
- FRS 30 'Heritage Assets'. The Council will apply FRS 30 from 1st April 2011. It is not expected to have a material impact on the Council's financial statements.

### STANDARDS EARLY ADOPTED

There are no standards that have been early adopted by the Authority.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying these accounting policies, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- At 1st April 2010 the Council's valuer carried out a revaluation of a 10% proportion of the total asset portfolio, resulting in a net increased non-current assets valuation of £87k, as detailed on page 4 of the foreword.
- Provisions are accounting estimates where there is an uncertainty amount the amount or timing of any payment (see provisions accounting policies for further details).

**STATEMENT OF ACCOUNTING POLICIES**

continued

**THE ACCOUNTING POLICIES -****BORROWING COSTS**

The Council has elected to adopt the adaptation by the Code in respect of IAS23 which allows borrowing costs in respect of qualifying assets to be expensed rather than capitalised. Therefore, all borrowing costs are recognised as an expense as they are incurred.

**CAPITAL RECEIPTS**

Capital receipts arise from the disposal of property assets and the repayment of advances, and are accounted for on an accruals basis; amounts not exceeding £10,000 from any disposal are treated as revenue income, in accordance with capital regulations. The requirement to set-aside 75% of receipts from the sale of council houses to repay debt was removed by way of the Local Government Act 2003, but the Council continues to make the set-aside as assumed in the HRA subsidy rules. The balance of receipts that is not reserved in this way, and which has not been used for capital financing purposes, is included in the balance sheet as usable capital receipts. Non-housing capital receipts are 100% usable.

**CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand. Cash equivalents are considered to be deposits with financial institutions that are readily convertible to known amounts of cash. The Council has determined that investments less than 3 months in length are deemed cash and cash equivalents.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

**COMPONENT ACCOUNTING**

Component accounting is to be implemented with effect from 1 April 2010 whereby each part of a material item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately; the requirements are applicable to enhancement expenditure incurred, acquisition expenditure incurred, and revaluations carried out. A de minimus materiality level of 0.5% of the value of the asset base has been set, below which individual items of property, plant and equipment will not be considered for componentisation; significant components will be deemed as those whose current cost is 20% or more of the total current cost of the asset.

**DEBT REDEMPTION**

Debt is redeemed as and when it falls due. Amounts set aside from revenue for the repayment of external loans or to finance capital expenditure are shown in the movement on reserves statement; a minimum revenue provision is charged equal to 2% of debt outstanding for the housing revenue account, and 4% for the council fund. The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council to make prudent provision for the repayment of its debt (regulation 22).

**DEBTORS AND CREDITORS**

The revenue and capital accounts of the Authority are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2011.

## STATEMENT OF ACCOUNTING POLICIES

continued

### DEPRECIATION

Straight line depreciation is provided for on all property, plant and equipment with a finite useful life (other than for non-depreciable land), with provision made from the first full financial year following acquisition/valuation. The calculation is based on the 2010/11 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values for all property, plant and equipment.

The most common useful lives used in respect of the provision for depreciation are:-

	Years
Other land and buildings	50
Vehicles, plant, furniture and equipment	3 - 10
Infrastructure assets	40
Community assets	20

Where the asset comprises two or more major components, and the cost of the component is significant in relation to the total cost of the asset, with substantially different useful economic lives, each component has been accounted for separately.

Council Dwellings are depreciated by a sum equivalent to the Major Repairs Allowance (MRA). Assets capitalised under finance leases are depreciated over the life assigned to the asset by either the contract in place or, in the absence of this information being available, the Council's independent lease consultants as a result of their review of the lease.

Assets under Construction are not depreciated until the asset is brought into use.

### EMPLOYEE BENEFITS

The full cost of employees is recognised in the year in which the service is received from employees. The cost of annual leave entitlement, flexi-time and time off in lieu (TOIL) earned but not taken by employees at the end of the year is accrued in the financial statements.

Where retrospective adjustments or special payments are required, for example through pay awards or redundancy payments, an accrual is also included.

### FINANCIAL ASSETS

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and Receivables:

These are initially measured at fair value and carried at their amortised cost. Annual credits to the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

**STATEMENT OF ACCOUNTING POLICIES**

continued

**FINANCIAL ASSETS (continued)**

This means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

**Loans and Receivables:**

These are initially measured at fair value and carried at their amortised cost. Annual credits to the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

**Available-for-Sale Assets:**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the comprehensive income and expenditure statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale reserve. The exception is where impairment losses have been incurred – these are debited to the comprehensive income and expenditure statement, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the comprehensive income and expenditure statement.

**FINANCIAL LIABILITIES**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the comprehensive income and expenditure statement is the amount payable for the year in the loan agreement.

## STATEMENT OF ACCOUNTING POLICIES

continued

### FINANCIAL RELATIONSHIPS WITH COMPANIES

Flintshire County Council was the sole shareholder in AD Waste Limited, an 'arms length' local authority waste disposal company (LAWDC) as permitted under the Local Government and Housing Act 1989 and the Environmental Protection Act 1990. Royalties and dividends received from the company are reserved for future waste disposal purposes.

On 28th September 2007, the Council gave notice to terminate its remaining contract with the company; following a review of various options available, and in view of the pending contract end date, the Authority resolved on 29th October 2008 to bring the company's activities in-house. The transfer of the trade and assets of the company was completed during 2010/11.

### GOVERNMENT GRANTS AND CONTRIBUTIONS

Grant receipts in support of capital and revenue expenditure are accounted for on an accruals basis. Where an asset is financed partly or wholly by government grant (or any other contribution), the income is recognised in the comprehensive income and expenditure statement. Grants to cover general revenue expenditure (such as revenue support grant) are also credited to the comprehensive income and expenditure statement.

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

### GROUP ACCOUNTS

Local authorities with, in aggregate, material interests in subsidiary, associated companies or joint ventures are required to prepare a full set of group financial statements. The Council has such material interests in AD Waste Limited which has been determined as, and accounted for as a subsidiary. The adjustment required by AD Waste Limited for each individual standard under IFRS is immaterial and as such AD Waste's UK GAAP accounts have been consolidated into the group financial statements.

### IMPAIRMENT

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by the loss being taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset, with any excess charged to the relevant service revenue account.

### INTANGIBLE ASSETS

Intangible assets are non-monetary assets without physical substance. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably. Development expenditure, or purchased software licences may meet the definition of assets when access to the future economic benefits that they represent is controlled by the Council, either through custody or legal protection; a de minimis expenditure level of £10,000 below which the requirements of capital accounting will not be applied is in place.

## STATEMENT OF ACCOUNTING POLICIES

continued

### INTANGIBLE ASSETS (continued)

Intangible assets are amortised from the first full financial year following acquisition/implementation. The most common useful lives used in respect of amortisation are:-

	Years
Software licences	5
Development expenditure	7

### INTEREST CHARGES

External interest payable is charged to the comprehensive income and expenditure statement together with the amortisation of gains and losses on the repurchase or early settlement of borrowing carried forward in the balance sheet.

### INVENTORIES

Inventories are valued at the lower of cost or net realisable value. The cost of each type of inventory is measured in a different way; the measurements used in respect of the Council's main inventories are:-

• Queensferry (Fuel)	FIFO (first in first out)
• Halkyn	Weighted average
• Alltami (Grounds Maintenance)	Weighted average
• Alltami (Vehicle Spares)	Weighted average
• Alltami (Fuel)	FIFO
• Canton	FIFO

### INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties and the agricultural estate have been valued at fair value. In cases where there was no market-based evidence of fair value for a particular asset, depreciated replacement cost has been used. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on the revaluation and impairment of investment properties are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement rather than through the revaluation reserve. The same treatment is applied to gains and losses on disposal. The gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance and therefore are reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance.



## STATEMENT OF ACCOUNTING POLICIES

continued

### INVESTMENTS

Investments are shown in the balance sheet at fair value (market value) for each class of financial instrument.

Short term deposits and investments are included in the cash and cash equivalents rather than short term investments if they mature within 3 months of the acquisition date, under IAS 7.

### LEASES

#### Finance Leases

For a lease to be classified as a finance lease substantially all risks and rewards of ownership need to be borne by the Council. There are five examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease. These are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised
- the lease term is for the major part of the economic life of the asset
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (the Council have determined 'substantially all' to equate to 90% as advised by their independent lease consultants), and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Where substantially all risks and rewards of ownership of a leased asset are borne by the Council, the asset is recorded as property, plant and equipment and a corresponding liability is recognised. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy above.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability.

#### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Operating lease rentals are charged to revenue accounts, on an accruals basis, on a straight-line basis over the term of the lease.

Property leases are classified and accounted for as separate leases of land and buildings.

## STATEMENT OF ACCOUNTING POLICIES

continued

### NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale have been valued at fair value. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets intended for disposal are reclassified as non-current assets held for sale once all of the following criteria are met:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

### OVERHEADS

The costs of centrally provided support services and administrative buildings have been charged to services in line with the Best Value Accounting Code of Practice (BVACOP). The costs of the corporate and democratic core and any non distributed costs are allocated to separate objective heads and are not apportioned to any other service.

### PENSIONS

The Council participates in two different pension schemes which meet the needs of employees in particular services. The schemes provide members with defined benefits related to pay and service:

#### **Teachers:**

This is an unfunded scheme administered by the Department for Education (DfE). The pension costs charged to the accounts are at a contribution rate set by the DfE on the basis of a notional fund.

#### **Other Employees:**

This is a funded defined benefit final salary Local Government Pension Scheme (LGPS). All actuarial gains and losses are recognised in Other Comprehensive Income and Expenditure. The accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated. The discount rate which is used to place a value on liabilities and calculate the current service cost is based on the redemption yields available on high quality corporate bonds.

Charges to service revenue accounts are based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer's contributions. Discretionary benefits awarded on early retirement are accounted for in the year that the award decision is made.

## STATEMENT OF ACCOUNTING POLICIES

continued

### PROPERTY, PLANT AND EQUIPMENT

Expenditure relating to the acquisition, creation or enhancement of property, plant and equipment is capitalised, provided that the asset yields benefits to the authority and to the services it provides for a period of more than one year; a de minimis expenditure level of £20,000 below which the requirements of capital accounting will not be applied is in place. Expenditure for the routine repair and maintenance of fixed assets is charged direct to service revenue accounts.

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). They are classified into various groupings as required by the 2010/11 Code of Practice on Local Authority Accounting.

The fair value of council dwellings is measured using existing use value–social housing (EUV–SH). Other operational fixed assets (infrastructure and community assets) and assets under construction are valued on the basis of historic cost.

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2010/11 (the first of the new cycle, commencing 1st April 2010), 10% of the total assets were revalued. Material changes to valuations are adjusted in the interim period, as they occur. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. The revaluation reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Different classes of asset included on the group balance sheet are measured on different bases (in common with the balance sheet).

### PROVISIONS

The Council makes proper provisions for any liabilities or losses which are likely to be incurred, or certain to be incurred but where the expenditure required in settlement of the liability is uncertain with regards to the amount or timing of any payment.

### RESERVES

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. They represent either a planned set-aside of cash to resource unforeseen expenditure demands in the short term, resources to assist cash flow management or accumulated resources which have not been spent or earmarked at the end of the accounting period. Transfers to and from them are shown as appropriations in the movement on reserves statement, which replaces the statement of movement on the council fund balance.

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the capital adjustment account then reverses out the amounts charged in the movement on reserves statement so there is no impact on the level of Council tax.

**STATEMENT OF ACCOUNTING POLICIES**

continued

**SEGMENT REPORTING**

Responsibility for the allocation of resources rests with elected Members and the Responsible Financial Officer. The assessment of performance is undertaken by Members and the relevant Chief Officer. Segments have been identified which reflect the Council's organisational structure as reported to the Chief Operating Decision Maker (the Executive), and these have been reflected in the financial statements.

A segment is reported where its expenditure is 10% or more of the gross expenditure within the net cost of services; or its income is 10% or more of the gross income within the net cost of services. Where the reportable segments identified do not include at least 75% of the expenditure within the net cost of services, additional segments or combinations of segments are treated as reportable segments until the reportable segments include at least 75% of the expenditure within the net cost of services.

The Council does not report assets or liabilities internally and as such there is not requirement to report these by segment in the financial statements.

**VALUE ADDED TAX**

The Council receives reimbursement for the net cost of value added tax incurred. The accounts have been prepared exclusive of tax, in accordance with SSAP 5.

**Date of Authorisation of Accounts**

**The 2010/11 Statement of Accounts was authorised for issue on xxth September 2011 by Kerry Feather (Head of Finance). This is the date up to which events after the balance sheet date have been considered.**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**THE AUTHORITY'S RESPONSIBILITIES**

The Authority is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, this is the Head of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

**Signed :**

**Hilary McGill  
Chair to the County Council**

**Dated :**

**THE HEAD OF FINANCE'S RESPONSIBILITIES**

The Head of Finance is responsible for the preparation of the Authority's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Head of Finance has :-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Head of Finance has also :-

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

The following statement of accounts has been prepared in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. The statement of accounts presents a true and fair view of the financial position of the Authority at 31st March 2011, and its income and expenditure for the year then ended.

In addition the statement presents a true and fair view of the financial transactions of the Clwyd Pension Fund during the year ended 31st March 2011 and the amount and disposition at that date of its assets and liabilities.

**Signed :**

*K. A. Feather*

**Kerry Feather CPFA  
Head of Finance**

**Dated :**

**30 June 2011**

## ANNUAL GOVERNANCE STATEMENT

### 1. SCOPE OF RESPONSIBILITY

Flintshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Flintshire County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: A Framework.

*The Code of Corporate Governance – Self Assessment Review 2011 and the Code of Corporate Governance are available from Legal and Democratic Services*

This Statement explains how Flintshire County Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the design and provision of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risks and challenges to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, priorities, aims and objectives, to evaluate the likelihood of those risks and challenges being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Flintshire County Council for the year ended 31st March 2011 and up to the date of approval of the annual statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

The key elements of the Council's governance arrangements are reflected in the **Code of Corporate Governance**. The Code forms part of the Constitution and applies to all aspects of the Council's business. Members and employees are required to conduct themselves in accordance with the high standards expected by the citizens of Flintshire and the six core principles set out within the CIPFA / SOLACE Framework:

## ANNUAL GOVERNANCE STATEMENT

continued

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

The **County Vision** and priorities are set by the **Flintshire Local Services Board (LSB)** for the aspirations of the County partners for the future state of Flintshire and its public services.

The Local Services Board brings together the public service providers in Flintshire including: Flintshire County Council, North Wales Police, Betsi Cadwaladr University Health Board, Deeside College, Flintshire Local Voluntary Council, National Public Health Service, North Wales Fire and Rescue Service and the Environment Agency.

The current County Vision has five priorities:-

- economic prosperity
- health improvement
- learning and skills for life
- living sustainably
- safe and supportive communities

The quality of services received by users is measured and evaluated in different ways according to the type of service and how it is provided. Measurements include:-

- formal evaluation and assessment by regulatory bodies and through self-assessment
- national performance measures which can be analysed over time to show trends and benchmarked with others
- local performance indicators developed to provide current and useful management information
- ongoing consultation and feedback via surveys, needs assessments and feedback mechanisms
- the use of the Council's Overview and Scrutiny Committees to monitor and check on service quality

In addition the Council has in place a series of mechanisms to improve service quality by identifying "**Improvement Targets**" which are reviewed annually by officers and Overview and Scrutiny members, and also by delivering the Outcome Agreement.

The **Outcome Agreement** is a three year agreement (with Welsh Government) based on ten strategic themes; with one broad outcome selected from within each theme as appropriate to the needs of Flintshire as a County. Outcome Agreements are required to show collaboration and partnership working. The themes and outcomes have been agreed by Executive and were subsequently endorsed by the Local Service Board (LSB). The Local Service Board's role meets the collaborative part of the agreement.

## ANNUAL GOVERNANCE STATEMENT

continued

Progress against the Outcome Agreement is reported as part of the Quarterly Performance reports by Heads of Service and is monitored by Welsh Government annually.

*The Outcome Agreement is available from Legal and Democratic Services.*

The Executive, in consultation with the Constitution Forum, are responsible for approving the **Code of Corporate Governance**, and the Chief Executive and Monitoring Officer are responsible for ensuring that it is kept up to date. The Monitoring Officer and Responsible Financial Officer are responsible for ensuring an annual review of compliance with the Code, and Internal Audit independently audits the process. A self-assessment review of corporate governance arrangements was undertaken in the spring of 2011, setting out the Council's achievements under each of the six core principles, and where appropriate identifying further action needed to strengthen the Council's arrangements. Detailed action plans have been incorporated within the Council's business planning arrangements. Internal Audit have carried out a review of overall Corporate Governance and made a few recommendations to ensure further improvement. Internal Audit will track the actions as part of their ongoing review of Corporate Governance. A further review will be undertaken in 2012.

*The Code of Corporate Governance – Self Assessment Review 2011 and the Code of Corporate Governance are available from Legal and Democratic Services*

Sound corporate governance is supported by the business planning processes and disciplines of service planning, risk and financial management. A renewed council planning framework has been developed which has at its core the Council's (Plan) Governance Framework, supported by the services delivered by the Council's three public service Directorates and identified within the supporting service plans and appraisal arrangements. The Council (Plan) Governance Framework is a family of co-related documents stating ambition, priorities and targets against a governance framework describing how the Council is run and governed and identifying organisational values, roles and responsibilities. The governance framework, as presented to the Executive on 17 May 2011 is now operational, is reviewed annually and covers the following areas:-

### **The Council and Democracy**

- annual corporate governance self assessment
- ongoing constitutional review
- ongoing review of delegation
- updating roles and responsibilities
- development of accountability frameworks across the Council's structures

### **Organisational Vision and Values**

- development of the County Vision
- development of more specific Council priorities
- organisational values for high performance

### **Resources**

- development of the Medium Term Financial Strategy, People Strategy, Asset Management Plan and ICT Strategy as the four principal resources of the council
- programme and project management methods
- change management policy and practice

### **Business Processes**

- service planning at Head of Service level and new directorate planning arrangements
- Outcome Agreement with Welsh Government



## ANNUAL GOVERNANCE STATEMENT

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- refresh of the model for presentation and review of the Strategic Assessment of Risks and Challenges
- categorisation and review of targets
- consistent approach to target setting methodology and action planning
- protocols for managing external regulation

**Partnerships**

- national, regional and local partnership working and collaboration
- governance arrangements for collaborative projects
- strategic partnership commitments and governance arrangements.

The three service Directorates (Community Services, Environment and Lifelong Learning) produce **Directorate Plans** which summarise the critical priorities, performance, risk and improvement activity for the Directorate, as well as reflecting key aspects of delivery commitments for the strategic partnerships. Plans are produced to reflect the administrative year (May to May), along with any emerging budget pressures and efficiencies but with longer term considerations. The corporate services are reflected in the **Service Plans** for ICT and Customer Services, Finance, Human Resources and Legal and Democratic Services.

All council service areas review and complete their Service Plans at Head of Service level. These are annual plans but have a longer term considerations to reflect the objectives of sustainable services, business continuity and longer term performance and improvement commitments. Plans are reviewed and refreshed periodically throughout the year; at least quarterly to inform ongoing budget and resource planning. Quarterly performance reports on progress are prepared and reported to Executive and Scrutiny Committees.

*Service Plans are available from the Policy and Performance Unit.*

To ensure clarity, direction and consistency in stated aims and expectations for good governance, the Council has revised their **Statement of the Priorities**, which covers the current Council term (to May 2012). The selection of priorities have been lead by the Executive in its leadership role condensing the previous list of 40 priorities into 10 primary priorities. They are based on a range of sources including the prior consultations undertaken to inform the County Vision plus other local and service level consultations.

The list is concise and comprehensive having four governance and six public service priorities as follows:-

- To be a modern, efficient and cost effective public organisation through our four resources strategies - the Medium Term Financial Strategy, the People Strategy, the Asset Management Strategy and the ICT Strategy - whilst ensuring our local taxes and fees and charges are fair and affordable
- To achieve the greatest possible cost efficiencies through regional and sub-regional collaboration to reinvest in local public services
- To be a modern, caring and flexible employer with fair and equal pay and terms and conditions of employment under a Single Status Agreement
- To achieve the highest standards of customer service and care through our Customer Services Strategy
- To make our communities safe and to safeguard the vulnerable with children and older people being priority groups
- To protect and grow the local and regional economy, to be a prosperous County and to provide help and support for those vulnerable to poverty

## ANNUAL GOVERNANCE STATEMENT

continued

- To promote independent, healthy and fulfilled living in the community with the highest quality personalised and supportive social and health care services
- To meet housing need in the County and to work with partners to ensure a sufficient supply of quality and affordable homes and housing services in the social, mixed tenure and private sector housing markets
- To secure a modern and high performing range of learning, cultural, play and leisure opportunities for all ages with our schools, colleges and other partners
- To protect, plan and develop sustainable natural and built environments

These 10 primary priorities are supported by the more detailed secondary priorities set out in the three Directorate Plans for Community Services, Environment and Lifelong Learning and in the corporate governance plans. The corporate governance plans are the Improvement Plan, the Strategic Assessment of Risks and Challenges (SARC) and the four business plans for the corporate resources of the Asset Plan, the ICT and Customer Services Strategies, the Medium Term Financial Strategy and Plan and the People Strategy. The primary and secondary priorities both support, and are supported by strategies adopted by local partnerships e.g. the Children and Young People Partnership (CYPP).

The Council will evaluate and report on the performance of these 10 priorities twice yearly.

The Council's **Strategic Assessment of Risks and Challenges** (SARC) document was created during 2007/08 and refreshed in 2010 and provides a detailed assessment of the Council's risk and challenges and a basis for action.

The SARC document provides the foundation for both the Council's Service/Business Plans, Internal Audit Plan and the Regulatory Plan. It defines and details the priorities for change and improvement and is supported by our business planning processes and disciplines of service planning, risk management, financial planning, resource planning, monitoring and review.

The content of the ongoing review of the strategic assessment of risks and challenges (SARC) informs (i) the Corporate Management Team Work Programme, (ii) the Internal and External Regulatory Programme for 2011/12 and (iii) the Council Planning Framework. The strategic assessment has been compiled under the following categories:

- Community Leadership - critical local issues which cannot be solely delivered by the Council (e.g. Affordable Housing)
- Council Delivery - public service issues which are largely within the control and responsibility of the Council (e.g. Housing)
- Council Governance - issues of organisational governance and management (e.g. Finance)

The SARC risks are described in Directorate Plans, detailed in Service Plans and reported on a quarterly basis as part of the quarterly performance report. In addition a separate review is undertaken of all the SARC risks twice yearly to ensure comprehensive coverage and assurance of risks and mitigating actions. This is reported to the Council's Executive and Audit Committees.

*The current Strategic Assessment of Risks and Challenges is available from the Policy and Performance Unit.*

The **Council's Constitution** sets out how the Council operates, how decisions are made, the procedures to be followed to ensure that these decisions are efficient, transparent and accountable to

## ANNUAL GOVERNANCE STATEMENT

continued

local people. The Constitution is divided into 19 articles which set out the basic rules covering the Council's business.

Officers and Members are both subject to a **Code of Conduct** which includes a wide range of standards of behaviour required of them. Copies of the Code are available to Officers and Members via Infonet and training events, any changes to the Code are noted through Corporate Resources Scrutiny Committee.

Flintshire County Council has in place a clear framework of systems and procedures to deter, prevent, detect and investigate fraud and corruption. This includes an **Anti Fraud and Corruption Strategy** that identifies the responsibilities of both members and employees in promoting a culture of honesty and integrity. The Council has a **Whistleblowing Policy** which enables employees to raise any concerns in confidence. The Internal Audit Manager keeps these policies under review in order to take account of any changes in Council policy and government legislation. Other policy documents that are in place and reviewed regularly are: **Financial and Contract Procedure Rules, Customer Complaints Procedure, and Scheme of Delegation.**

The Council's designated **Responsible Financial Officer (S.151) is the Head of Finance.** The postholder reports to the Chief Executive, is a member of the Corporate Management Team and is the Council's principal advisor on finance having direct access to all members and specifically through the Executive, Scrutiny, Audit Committee and Council. In so doing, the Head of Finance is a key member of the leadership team in developing and implementing strategy and is actively involved and

able to bring influence to bear on all material business decisions ensuring risks and implications are considered and aligned with the financial strategy. The Council's designated **Monitoring Officer** is the Head of Legal and Democratic Services and the Council's principle legal adviser to ensure the lawfulness and fairness of decision making within the Council, monitor, review and maintain the Council's Constitution and promote and maintain high standards in public life.

The Council actively recognises the limits of lawful activity placed upon them whilst also striving to utilise powers to the full benefit of their communities through:-

- Legal advice in the preparation of Council, Committee and Executive reports.
- The availability of legal advice at meetings of the Council, the Executive and Statutory Committees.
- The pro-active work of the Council's Legal Service and its close working relationship with service managers.
- Professional development and training (including multi-agency training for Children's Services staff in particular).
- The Council's policies and protocols set out the processes.

Flintshire County Council has developed a new People Development Strategy in partnership with Deeside College. The various levels of supervisory and management development can be identified by reference to the overview diagrams contained within the People Development Strategy. Development requirements for these officers are identified through the Flintshire appraisal process, training data then being forwarded to the Corporate Training Team for action.

Members in receipt of special responsibility allowances have annual personal development meetings to identify their development needs. These then inform the annual Member development programme prepared by the Member Development Working Group. Further training is also undertaken both locally and across Wales for all Members via the Welsh Assembly.

## ANNUAL GOVERNANCE STATEMENT

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Senior officer development within the organisation is also identified through the appraisal process, together with individual assessments. The Corporate Training Manager is currently researching organisations that can assist with this process. It will be a combination of the following -

- 360 feedback with interpretation through a coaching conversation
- Residential sessions with reflective discussions on areas of leadership, performance, impact and leader behaviour
- Review sessions to increase self awareness
- Facilitated discussions providing insight into leadership best practice
- Opportunities to receive peer comment on leader behaviour and impact
- Post-residential coaching sessions to embed learning

Effective communication with customers, businesses, partner organisations and within its own workforce is a key priority for Flintshire County Council. The Communication Strategy sets out the principles and key aims of the Strategy.

Consultation and engagement with our customers and communities takes place on a number of different levels: representative democracy through our elected members, structured engagement through for example our County Forum (with Town and Community Councils), formal needs assessments through our strategic partnerships, surveys and feedback mechanisms such as workshops and roadshows. The range of methods are selected according to requirements, audience and coverage.

In 2010 the Council adopted **Flintshire Futures** as a programme to promote further organisational change and re-design to achieve the maximum financial efficiencies. and extends our commitments to regional collaboration.

The Flintshire Futures Programme has four parts which, taken together, will further modernise and change the organisation, make efficiencies and improve the resilience and quality of services.

The four parts are:-

- **Corporate Change:** centrally led corporate projects which affect the whole organisation e.g. systems, lean working, procurement, costs of employment
- **Service Change:** service led projects which affect specific services and functions e.g. transforming social services for adults
- **Regional Collaboration:** regional and sub-regional collaborative projects with other councils and other public sector partners e.g. school improvement services
- **Local County Collaboration:** county level collaborative projects with public and third sector partners e.g. carbon reduction and maximising opportunities/anti-poverty

The Flintshire Futures Programme has the aims of:-

- creating a modern and flexible organisation which makes the best use of its resources
- maximising opportunities for efficiencies / income generation to limit the impact of reducing public sector funds on local services
- improving local services and access to them and achieving the highest possible performance standards

The Flintshire Futures Programme is designed to:-

## ANNUAL GOVERNANCE STATEMENT

continued

- fit with the national programmes of the Efficiency and Innovation Board chaired by the First Minister
- maximise the benefits from collaboration with others
- maximise the benefits from organisational change and modernisation

The Flintshire Futures Programme is being developed alongside the Medium Term Financial Strategy, the Governance Plan and the three public service Directorate Plans to ensure clarity of direction and purpose, co-ordination of activity, and clarity over accountabilities and outcomes. This set of complementary plans will be reported through May and June 2011. The projected cumulative efficiencies of the Flintshire Futures Programme will be key to forecasting our ability to manage our finances for 2012/13 onwards given the indicative local government settlements set by the Welsh Assembly Government for 2012/13 and 2013/14 and our forecast budget pressures.

Flintshire has a wide range of **partnerships and partnering arrangements**. These range from strategic, statutory, operational, commissioning and contracting organisations, through to advisory bodies and collaborative partnering solutions. Flintshire's strategic partnerships form the basis of the Council's community planning arrangements (Flintshire in Partnership) comprising: Flintshire Local Service Board, Children and Young People's Partnership, Health Social Care and Wellbeing Partnership, Community Safety Partnership, Regeneration Partnership and Voluntary Sector Compact.

The role of the Local Service Board (LSB) is five fold: to be a partnership body of local leaders; to discharge the responsibilities of the LSB; to undertake consistent and effective governance and performance reviews of the strategic partnerships; to identify common issues as public bodies; to promote collaboration and make best economic use of local partners' resources.

The statutory requirement for the development of a **Community Strategy** on a partnership basis for the whole County of Flintshire was endorsed by Executive on 17th February 2009. Subsequently, the Community Strategy (County Vision) was formally adopted by Flintshire County Council on 30<sup>th</sup> June 2010.

The Community Strategy Work Plan is based around the issues, challenges and risks identified by the 'County Vision' by Flintshire in Partnership. The Flintshire Local Service Board (LSB) have identified carbon reduction and the impact of poverty and it's associated disadvantages within the County as key issues to be tackled collectively.

Collaborative ways of working are being actively pursued at the national, regional and local levels.

### **National**

Flintshire is part of the local government 'family' in Wales. The Council makes a contribution to national policy development and evaluation with the Welsh Assembly through:-

- being an active member of the Welsh Local Government Association (WLGA) - the representative body for unitary, national park, police and fire and rescue authorities in Wales
- being a statutory consultee recognised by Government and Government agencies
- participation in national studies and programmes of work and national boards, networks and working groups

Flintshire also has a presence and an influence through the national professional bodies of whom its senior officers are active members. These include the Society of Local Authority Chief Executives (SOLACE), the Association of Directors of Education Wales (ADEW) and the Association of Directors of Social Services (ADSS) Chartered Institute of Public Finance and Accountancy (CIPFA). These bodies are actively involved in national programmes of policy and practice development and evaluation.

## ANNUAL GOVERNANCE STATEMENT

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Flintshire is also active in the work of other national bodies such as the Wales Audit Office with its programme of national 'value for money' and innovation studies and the UK body the Association of Public Service Excellence (APSE) which promotes improvement through comparative study and practice sharing.

Flintshire supports its elected members and professional officers to be active in all of the above to represent Flintshire's interests and to enhance our reputation as a leading council.

### **Regional**

Flintshire is an active member of regional partnerships and representative bodies.

- nominates members to the North Wales Police and North Wales Fire and Rescue Authorities
- nominates members to various bodies with a regional remit
- is active in regional networks such as the North Wales Economic Forum
- is a member of regional consortia such as the regional transport consortium TAITH
- is a member of formal joint committees which oversee joint services such as the Joint Committee for the North Wales Residual Waste Treatment procurement partnership
- is a full member of the Regional Leadership Board, a regional committee of the WLGA
- is a full member of the four regional portfolio boards which promote collaboration in public services

The Council helps shape regional priorities and policy through all of the above in addition to promoting and defending the interests of the region on a Wales and UK level and the interests of Flintshire on a regional level.

The Council is also an active member of the Mersey Dee Alliance which promotes cross-border strategic planning and co-operation for economic development and infrastructure development.

### **Local**

Working alongside the Flintshire Local Service Board (LSB) are six key Strategic Partnerships:

- Children & Young People's Partnership and Plan (2011 to 2014)
- Community Safety Partnership and Strategic Plan (2008 to 2011)
- Flintshire Housing Partnership
- Health, Social Care and Well-being Partnership and the Good Health, Good Care Strategy (2011 to 2014)
- Regeneration Partnership
- Voluntary Sector Compact

Collectively, the LSB and these Strategic Partnerships are known as 'Flintshire in Partnership'. Flintshire's Strategic Partnerships are critically important in contributing towards the quality of life for the County of Flintshire.

Strategic partnership performance is reported to the Council's Executive and the Community Profile and Partnerships Overview and Scrutiny Committee twice yearly.

A recent review of the North Wales Partnerships has resulted in a series of changes including in phase 1 the setting up new joint Boards:-

- Regional Leadership Board: Leaders and Chief Executives
- Joint Local Safeguarding Children's Board with Wrexham
- Joint Community Safety Partnership with Wrexham

## ANNUAL GOVERNANCE STATEMENT

continued

Phase 2 will further consolidate these partnerships to develop a North Wales Safer Communities Board and regional working for commissioning, governance and accountability of the Health Social Care and Wellbeing Partnerships and Children and Young People's Partnerships.

In October 2009, the LSB agreed that a Strategic Partnership Governance Framework be developed to provide a consistent approach to Strategic Partnership Governance. This Framework is now being used (or implementation is planned) by the following:

- Children and Young People Partnership
- Community Safety Partnership
- Flintshire Housing Partnership
- Health, Social Care & Well-being Partnership
- Regeneration Partnership
- Youth Justice Service Executive Management Board
- Local Safeguarding Children's Board

### 4. REVIEW OF EFFECTIVENESS

Flintshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Directors, Corporate Heads and managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Flintshire County Council has 70 councillors that represent 57 Electoral Divisions in Flintshire and are democratically elected every four years. Elected members are accountable to Full Council and to the electorate of their electoral division.

The role purpose and activity of elected members

- Representing and supporting communities
- Making decisions and overseeing council performance
- Representing the Council (subject to appointment)
- Internal governance, ethical standards and relationships
- Personal and role development

To be committed to the values of the Council and the following values in public office:

- Openness and transparency
- Honesty and integrity
- Tolerance and respect
- Equality and fairness
- Appreciation of cultural difference
- Sustainability

## ANNUAL GOVERNANCE STATEMENT

continued

Decisions are usually made by the Executive committee for all issues including major policy matters. The role of Overview and Scrutiny is to hold the Executive to account as a critical friend and to monitor/assist in the improvement and development of the Council's policies and services.

Under the Local Government Act 2000, local authorities must have at least one Overview and Scrutiny committee. Flintshire has six working Overview and Scrutiny committees, supported by a team of five officers. The committees are as follows:

- Housing
- Corporate Resources
- Environment
- Lifelong Learning
- Community Profile & Partnerships
- Social and Health Care

Some functions of the full Council include:

- Adopting and changing the Constitution
- Approving or adopting the policy framework, the budget and any application to the National Assembly for Wales in respect of any Housing Land Transfer
- Appointing the Leader of the Council
- Deciding the size and terms of reference for Committees and deciding the allocation of seats to Political groups in accordance with the political balance rules and appointments to Committees of those Members, if any, who are not members of any Political Group

The business to be considered by the Executive, Overview and Scrutiny Committees and the Council as a whole is published in the forward work programme. Meetings of the Executive, Overview and Scrutiny Committees, the Council and other Committees are open for the public to attend except where exempt or confidential matters are being discussed, as defined by law. The Executive has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or the policy framework, this must be referred to the Council as a whole.

In accordance with best practice guidance the Council has an established Audit Committee with clear Terms of Reference. The Committee's role and functions are to:

- Review the effectiveness of the Council's systems of internal control and risk management systems
- Oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information
- Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.

The Terms of Reference form part of the Council's Constitution and ensure that the Audit Committee undertakes the core functions as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities. The Audit Committee completes a self assessment against the CIPFA requirements on an annual basis.



## ANNUAL GOVERNANCE STATEMENT

continued

The Standards Committee's primary role is to promote and maintain high standards for all Councillors. A Code of Conduct covering the behaviour and actions of Councillors has been adopted and all Councillors have agreed to abide by it. The agreed composition of the nine-strong committee is five 'independent' members, who are neither a councillor or an officer or the spouse of a councillor or officer of this Council or any other relevant Authority as defined by the Act, appointed in accordance with the procedure set out in the Standards Committees (Wales) Regulations 2001, three councillors other than the Leader or Executive Members, and one member of a community council.

Internal Audit is a statutory independent review function providing a service to the Executive and all levels of management. Internal Audit has to meet the standards laid down by professional bodies such as CIPFA and the requirements of the Auditing Practices Board as interpreted by the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. Internal Audit is independent of the activities that it audits so as to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. In this respect, Internal Audit operate within a framework that allows:-

- Unrestricted access to all functions, records and property;
- Full and free access to the Audit Committee;
- Unrestricted access to senior management, members and all employees;
- The issue of audit reports in its own name.

The Head of Internal Audit provides an independent opinion on the adequacy and effectiveness of risk management, governance and internal control.

The Constitution Committee has devised a work programme, however some aspects of the programme which had been delayed due to the late start of the Wales Audit Office Corporate Governance Diagnostic exercise, have now been considered by the Committee. Consideration needs to be given in the near future as to how the proposed new statutory Democratic Services Committee introduced by the latest Local Government Measure will affect the work of the Constitution Committee.

The Council is committed to maintaining effective and sound industrial relations by working in partnership with its recognised trade unions. As part of these arrangements, management and elected Members meet with the trade unions on a regular basis. The Flintshire Joint Trade Union Committee (FJTUC) which comprises senior management representatives and trade union colleagues, and the Joint Consultative Committee (JCC) comprising senior management, elected Members and trade unions, is a framework for the exchanging of ideas and views which affect the interest of the workforce and the organisation. These committees enable the Council to engage fully with the trade unions at an early stage and to communicate and consult on proposals and issues of common interest to all parties. These arrangements are important in maintaining partnership working between employer and trade unions for the Council and have worked effectively during the course of the year.

### 5. SIGNIFICANT GOVERNANCE ISSUES

The significant strategic corporate risk identified within SARC which has a status of 'Red' is:

- CG21 Government Spending Review
  - Future Welsh Government funding will decline thus reducing support for revenue and capital funding (core and specific grants), reduction in sustainable service provision and lack of opportunity to fund Invest to Save initiatives. Mitigating actions are progressing however the risk is evaluated as high (red).

## ANNUAL GOVERNANCE STATEMENT

continued

Some significant weaknesses were identified by Internal Audit in the areas listed below. If allowed to continue, these weaknesses could lead to financial loss, non-compliance with legislation or inefficient working. Controls were therefore recommended to manage the risks.

- Employment Practices Codes
  - The need to improve practices in order to comply with the Code with respect to data protection. Non compliance could lead to financial and reputational risk.
- Charges on Clients Properties
  - The need to ensure that charges are registered where applicable
- Business Enterprise Units
  - The need to produce plans, procedures and service level agreements for the units
- Data Management – Public Protection
  - The need to improve the management of the data system to ensure the accuracy and usefulness of the information held
- Technology Forge – Asset Management System
  - The need to ensure the system is fully used
- Affordable Housing
  - The need to improve procedures to ensure that the required level of affordable housing is produced
- Main Accounting
  - The need to improve controls over debt recovery and the write off of bad debts
- Absence Management
  - The need for managers to apply HR policies
- Holiday Entitlements
  - The need to standardise entitlements across the Authority
- Payroll
  - the need for improved procedures and controls following the transfer onto the Trent system
- Use of Consultants
  - The need to improve controls over the engagement and monitoring of consultants
- Children’s Services Taxis
  - The need to improve communication between departments and the operational controls over taxis
- Section 106 Agreements
  - The need to improve the monitoring and enforcement of the agreements, and the timeliness, accountability and member involvement in the process

*Detailed action plans have been drawn up to address these issues as a priority.*

## ANNUAL GOVERNANCE STATEMENT

continued

In the Annual Governance Statement for 2009/10 areas of significant weaknesses identified by internal audit were noted. These included rent recovery, corporate grants, procurement, housing maintenance, TASK (highways job costing), taxi contracts and public protection – income from fees. Action plans had been agreed to correct the weaknesses identified during these reviews. During 2010/11 these areas were subject to recommendation tracking to ensure that action was being taken. In all cases progress has been made to address the weaknesses.

The following areas were first reported in the AGS in 2009. The 2010 AGS reported that some progress has been made, but more remains to be done. There has been little progress in the last year and the issues remain in these areas. They are planned to be addressed following the completion of the Finance Function Review.

- General Ledger
  - The need to undertake a major review of the main financial IT system  
Establishing a robust finance function capable of supporting a major review of the main IT system is one of the objectives of the Finance Function Review (FFR). Delays in the completion of FFR mean that the capacity is not yet in place to facilitate the review. In addition, it is likely that the review will now be undertaken as a collaborative project with other North Wales councils and will need to be timetabled in conjunction with other finance and IT departments
- Debt Recovery and Enforcement
  - The need to tighten controls on debt recovery, credit checking and bad debt write-offs  
A Finance led project under the Flintshire Futures programme which will address these issues has been scoped (April 2011), building on work undertaken in a Lean Team review. The project plan is now under development. This project will be actioned in 2011/12.

**ANNUAL GOVERNANCE STATEMENT**

continued

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

.....

**Leader of the Council**

.....

**Chief Executive**

.....

**Head of Finance**

**Dated :** .....

**MOVEMENT IN RESERVES STATEMENT**  
for the year ended 31st March 2011

Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
<b>At 31st March 2010</b>	4,818	6,906	27,246	5,004	1,492	45,466	466,674	<b>512,140</b>
Surplus/(deficit) on the provision of services	0	0	26,909	0	(4,598)	<b>22,311</b>	0	<b>22,311</b>
Other comprehensive income and expenditure	0	0	1,526	0	0	<b>1,526</b>	110,764	<b>112,290</b>
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>28,435</b>	<b>0</b>	<b>(4,598)</b>	<b>23,837</b>	<b>110,764</b>	<b>134,601</b>
Adjustments between accounting and funding basis under regulations	<b>9</b> 1,409	2,598	(26,041)	(441)	4,720	<b>(17,755)</b>	17,755	<b>0</b>
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	<b>1,409</b>	<b>2,598</b>	<b>2,394</b>	<b>(441)</b>	<b>122</b>	<b>6,082</b>	<b>128,519</b>	<b>134,601</b>
Transfers to/(from) earmarked reserves	0	0	4,471	127	0	<b>4,598</b>	0	<b>4,598</b>
<b>Increase/(decrease) in year</b>	<b>1,409</b>	<b>2,598</b>	<b>6,865</b>	<b>(314)</b>	<b>122</b>	<b>10,680</b>	<b>128,519</b>	<b>139,199</b>
<b>At 31st March 2011</b>	<b>6,227</b>	<b>9,504</b>	<b>34,111</b>	<b>4,690</b>	<b>1,614</b>	<b>56,146</b>	<b>595,193</b>	<b>651,339</b>

**MOVEMENT IN RESERVES STATEMENT**

for the year ended 31st March 2011 (continued)

	Capital Receipts Reserve	Capital Grants Unapplied	Council Fund Balance	Earmarked Council Fund Reserves	Housing Revenue Account Balance	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31st March 2009</b>	1,788	10,229	27,581	3,647	917	<b>44,162</b>	656,216	<b>700,378</b>
Surplus/(deficit) on the provision of services	0	0	(110,668)	0	(86,508)	<b>(197,176)</b>	0	<b>(197,176)</b>
Other comprehensive income and expenditure	0	0	0	0	0	<b>0</b>	8,938	<b>8,938</b>
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>(110,668)</b>	<b>0</b>	<b>(86,508)</b>	<b>(197,176)</b>	<b>8,938</b>	<b>(188,238)</b>
Adjustments between accounting and funding basis under regulations	<b>9</b> 3,030	(3,323)	110,333	1,357	87,083	<b>198,480</b>	(198,480)	<b>0</b>
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	<b>3,030</b>	<b>(3,323)</b>	<b>(335)</b>	<b>1,357</b>	<b>575</b>	<b>1,304</b>	<b>(189,542)</b>	<b>(188,238)</b>
Transfers to/(from) earmarked reserves	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(decrease) in year</b>	<b>3,030</b>	<b>(3,323)</b>	<b>(335)</b>	<b>1,357</b>	<b>575</b>	<b>1,304</b>	<b>(189,542)</b>	<b>(188,238)</b>
<b>At 31st March 2010</b>	<b>4,818</b>	<b>6,906</b>	<b>27,246</b>	<b>5,004</b>	<b>1,492</b>	<b>45,466</b>	466,674	<b>512,140</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2011

	2011			2010			
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Service Expenditure Analysis</b>							
Adult social care		58,969	16,737	42,232	56,020	16,414	39,606
Central services to the public		2,953	1,569	1,384	3,569	1,754	1,815
Education and children's services		158,369	24,768	133,601	236,470	26,009	210,461
Cultural, environmental, regulatory and planning services		64,734	24,364	40,370	70,315	17,206	53,109
Highways and transport services		27,094	8,677	18,417	24,782	9,083	15,699
Housing services :							
Housing - Council fund		54,840	49,658	5,182	51,397	48,382	3,015
Housing revenue account (HRA)		26,079	24,058	2,021	107,819	23,676	84,143
Corporate and democratic core		2,350	16	2,334	1,756	16	1,740
Non distributed costs		(35,656)	0	(35,656)	6,837	0	6,837
Write down of plant and equipment costs *		0	0	0	3,871	0	3,871
<b>Net cost of services</b>		<b>359,732</b>	<b>149,847</b>	<b>209,885</b>	<b>562,836</b>	<b>142,540</b>	<b>420,296</b>
<b>Other Operating Expenditure</b>							
Net gain on the disposal of non-current assets				(323)			(648)
Levy - North Wales Fire and Rescue Authority				7,119			6,973
Precept - North Wales Police Authority	6			12,186			11,793
Other preceptors - community councils	6			2,119			2,040
<b>Total Other Operating Expenditure</b>				<b>21,101</b>			<b>20,158</b>
<b>Financing and Investment Income and Expenditure</b>							
Interest payable and similar charges	3			9,443			10,056
Investment losses and investment expenditure	3,4			5,326			8,605
Interest and investment income	3			(6,197)			(8,005)
Pensions interest cost	3,5			32,897			30,299
Expected return on pensions assets	3,5			(22,906)			(17,024)
<b>Total Financing and Investment Income and Expenditure</b>				<b>18,563</b>			<b>23,931</b>
<b>Net operating expenditure</b>				<b>249,549</b>			<b>464,385</b>
<b>Taxation and Non-Specific Grant Income</b>							
Council tax income	6			(67,384)			(65,151)
Distribution from non-domestic rate pool	7			(42,236)			(40,437)
Grants - revenue (general) and capital (all)	8			(166,838)			(161,621)
<b>Total Taxation and Non-Specific Grant Income</b>				<b>(276,458)</b>			<b>(267,209)</b>
<b>(Surplus)/deficit on the provision of services</b>				<b>(26,909)</b>			<b>197,176</b>
(Surplus)/deficit arising on revaluation of non-current assets				(97,243)			(74,805)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(14)			66
Actuarial (gains) or losses on pension assets and liabilities				(15,729)			66,121
Other comprehensive income and expenditure				696			(320)
<b>Total comprehensive income or expenditure</b>				<b>(139,199)</b>			<b>188,238</b>

\* The unallocated write down of plant and equipment costs relates to pre 2005/06 sums which had been included in the balance sheet as percentages of the relevant asset values, rather than as specifically identifiable individual items - 2009/10 was the final year of required write down.

The Comprehensive Income and Expenditure Statement discloses the accounting cost of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from local taxation.

**BALANCE SHEET**

as at 31st March 2011

	Note	2011		2010		1st April 2009	
		£000	£000	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>							
<b>Property, Plant &amp; Equipment</b>	<b>20,22,23</b>						
Council dwellings		421,052		328,715		386,415	
Other land and buildings		343,893		349,035		407,648	
Vehicles, plant, furniture and equipment		6,941		6,935		11,776	
Surplus assets		7,919		8,747		10,501	
Infrastructure assets		154,016		153,821		150,208	
Community assets		9,458		9,134		7,853	
Assets under construction		1,700		681		9,177	
<b>Total Property, Plant &amp; Equipment</b>			944,979		857,068		983,578
Investment properties	<b>21,22,23</b>		27,006		27,313		28,423
Agricultural estate	<b>21,22,23</b>		14,493		14,493		12,439
Intangible Assets	<b>19</b>		628		693		417
Long term investments	<b>24,38</b>		2,628		612		7,123
Long term debtors	<b>25</b>		591		299		278
<b>NON-CURRENT ASSETS TOTAL</b>			990,325		900,478		1,032,258
<b>CURRENT ASSETS</b>							
Inventories	<b>26</b>	1,264		1,031		1,210	
Short term debtors (net of impairment losses provision)	<b>27</b>	28,547		30,096		23,960	
Short term investments	<b>28</b>	10,410		6,947		7,889	
Cash and cash equivalents	<b>29</b>	39,982		28,964		27,795	
Assets held for sale	<b>30</b>	9,493		9,473		756	
<b>CURRENT ASSETS TOTAL</b>			89,696		76,511		61,610
<b>CURRENT LIABILITIES</b>							
Borrowing repayable on demand or within 12 months	<b>31</b>	(5,803)		(1,330)		(1,329)	
Short term creditors	<b>32</b>	(35,313)		(30,995)		(32,770)	
Provision for accumulated absences	<b>34</b>	(3,598)		(2,810)		(3,762)	
Deferred liabilities	<b>15</b>	(311)		(454)		(368)	
<b>CURRENT LIABILITIES TOTAL</b>			(45,025)		(35,589)		(38,229)
<b>NON-CURRENT LIABILITIES</b>							
Long term borrowing	<b>33,38</b>	(173,744)		(173,613)		(173,613)	
Deferred liabilities	<b>35</b>	(1,666)		(1,742)		(873)	
Provisions	<b>34</b>	(4,944)		(4,975)		(71)	
Other long term liabilities	<b>5</b>	(203,303)		(248,930)		(180,704)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			(383,657)		(429,260)		(355,261)
<b>NET ASSETS</b>			651,339		512,140		700,378



**BALANCE SHEET**  
as at 31st March 2011 (continued)

	Note	2011		2010		1st April 2009	
		£000	£000	£000	£000	£000	£000
<b>USABLE RESERVES</b>							
Capital receipts reserve	36	6,227		4,818		1,788	
Capital grants unapplied	36	9,504		6,906		10,229	
Council fund	36	34,111		27,246		27,581	
Housing revenue account	36	1,614		1,492		917	
Specific revenue reserves	36	4,232		4,105		3,647	
Specific capital reserves	36	458		899		0	
<b>USABLE RESERVES TOTAL</b>			56,146		45,466		44,162
<b>UNUSABLE RESERVES</b>							
Revaluation reserve	37	210,034		112,792		44,082	
Available-for-sale financial instruments reserve	37	254		240		306	
Capital adjustment account	37	606,372		621,383		807,631	
Financial instruments adjustment account	37	(9,679)		(11,131)		(11,394)	
Pensions reserve	37	(203,303)		(248,930)		(180,704)	
Unequal back pay account	37	(4,903)		(4,903)		0	
Deferred capital receipts	37	16		33		57	
Accumulated absences account	37	(3,598)		(2,810)		(3,762)	
<b>UNUSABLE RESERVES TOTAL</b>			595,193		466,674		656,216
<b>TOTAL RESERVES</b>			<u>651,339</u>		<u>512,140</u>		<u>700,378</u>

**CASH FLOW STATEMENT**

for the year ended 31st March 2011

	2011	
	£000	£000
Net surplus or (deficit) on the provision of services	26,909	
Adjustment to surplus or deficit on the provision of services for non-cash movements	42,618	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(22,388)	
Net cash outflows from operating activities	<u>          </u>	47,139
Net cash flows from investing activities	(13,312)	
Net cash flows from financing activities	(76)	
	<u>          </u>	(13,388)
<b>Net increase or decrease in cash and cash equivalents</b>		<u>33,751</u>
Cash and cash equivalents at the beginning of the reporting period		28,964
Cash and cash equivalents at the end of the reporting period		62,715
Other		22,733
<b>Cash and cash equivalents at the end of the reporting period</b>		39,982

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2011

### 1. TRANSITION TO IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### Short-Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required.

The Welsh Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

#### Opening 1st April 2009 Balance Sheet –

	2009/10 Statements (SORP) £000	Adjustments Made £000	2009/10 Statements (Code) £000
Current provisions	0	3,762	3,762
Accumulated absences account	0	3,762	3,762

#### 31st March 2010 Balance Sheet –

	2009/10 Statements (SORP) £000	Adjustments Made £000	2009/10 Statements (Code) £000
Current provisions	0	2,810	2,810
Accumulated absences account	0	2,810	2,810

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**1. TRANSITION TO IFRS (continued)****2009/10 Comprehensive Income and Expenditure Statement –****Cost of Services (Net):**

	<b>2009/10 Statements</b>	<b>Adjustments Made</b>
	<b>£000</b>	<b>£000</b>
Adult social care	39,892	(225)
Central services to the public	1,590	(1)
Education and children's services	210,851	(642)
Cultural, environmental, regulatory and planning services	55,473	(39)
Highways and transport services	14,244	(11)
Housing - Council fund	2,940	(13)
Housing revenue account (HRA)	83,528	(22)
Corporate and democratic core	6,834	(2)
Non distributed costs	3,871	3

**Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease, or as a finance lease where it was previously treated as an operating lease.

The Welsh Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the Council Fund (where the Authority is the lessee) will be unchanged.

Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has one property lease for which the accounting treatment has changed following the introduction of the Code. Also, the Authority has 24 equipment leases where the accounting treatment has changed (22 existing prior to 1st April 2009 and two entered into during 2009/10). These leases were previously classified as operating leases, but under the Code, they should be recognised as finance leases.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**1. TRANSITION TO IFRS (continued)**

As a consequence of classifying these leases as finance leases, the financial statements have been amended as follows:

- The Authority has recognised the assets and finance lease liabilities on the balance sheet.
- The operating lease charge within the relevant lines within net cost of services has been reduced by the amount that relates to the buildings element of the lease payments.
- A depreciation charge has been included within the relevant lines within net cost of services.
- The depreciation charge has been transferred from the Council Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1st April 2009 and 31st March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payments is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1st April 2009 Balance Sheet –**

	<b>2009/10 Statements (SORP) £000</b>	<b>Adjustments Made £000</b>	<b>2009/10 Statements (Code) £000</b>
Property, plant and equipment (leased assets)	0	2,009	2,009
Deferred liability (finance leases)	0	1,241	1,241
Capital adjustment account (finance leases)	0	768	768

**31st March 2010 Balance Sheet –**

	<b>2009/10 Statements (SORP) £000</b>	<b>Adjustments Made £000</b>	<b>2009/10 Statements (Code) £000</b>
Property, plant and equipment (leased assets)	0	(211)	(211)
Deferred liability (finance leases)	0	70	70
Capital adjustment account (finance leases)	0	(141)	141

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**1. TRANSITION TO IFRS (continued)****2009/10 Comprehensive Income and Expenditure Statement –****Cost of Services (Net):**

	<b>2009/10 Statements</b>	<b>Adjustments Made</b>
	<b>£000</b>	<b>£000</b>
Education and children's services	210,851	35
Cultural, environmental, regulatory and planning services	55,473	(89)
Housing - Council Fund	2,930	8
Financing and investment income and expenditure	9,466	185

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

**Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31st March 2009 has been transferred to the Capital Adjustment Account in the opening 1st April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- For grants received in 2009/10 but not used, previously, no income was recognised in respect of these grants, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**1. TRANSITION TO IFRS (continued)**

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1st April 2009 Balance Sheet –**

	<b>2009/10 Statements (SORP) £000</b>	<b>Adjustments Made £000</b>	<b>2009/10 Statements (Code) £000</b>
Government grants deferred account	92,488	(92,488)	0
Capital adjustment account	0	92,488	92,488
Grants and contributions unapplied (liabilities)	10,229	(10,229)	0
Capital grants unapplied (reserves)	0	10,229	10,229

**31st March 2010 Balance Sheet (in year movement) –**

	<b>2009/10 Statements (SORP) £000</b>	<b>Adjustments Made £000</b>	<b>2009/10 Statements (Code) £000</b>
Government grants deferred account	14,612	(14,612)	0
Capital adjustment account	0	14,612	14,612
Grants and contributions unapplied (liabilities)	(3,323)	3,323	0
Capital grants unapplied (reserves)	0	(3,323)	(3,323)

**2009/10 Comprehensive Income and Expenditure Statement –****Cost of Services (Net):**

	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
Adult social care	39,892	22
Education and children's services	210,851	54
Cultural, environmental, regulatory and planning services	55,473	54
Highways and transport services	14,244	183
Housing Revenue Account (HRA)	83,528	134
Government grants - general	(139,074)	(18,328)

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**2. SEGMENTAL REPORTING**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

2010/11		Community	Environment	Lifelong	Corporate	Central and	HRA	Total
		Services		Learning	Services	Corporate		
		£000	£000	£000	£000	£000	£000	£000
<b>Income</b>	Fees, charges & other service income	(8,881)	(32,422)	(14,263)	(47,655)	(14,418)	(21,546)	<b>(139,185)</b>
	Government grants	(10,860)	(7,823)	(19,616)	(438)	0	(6,391)	<b>(45,128)</b>
	Total	(19,741)	(40,245)	(33,879)	(48,093)	(14,418)	(27,937)	<b>(184,313)</b>
<b>Expenditure</b>	Employee expenses	31,573	24,921	109,144	13,706	5,166	6,417	<b>190,927</b>
	Other service expenses	42,174	47,109	37,211	52,373	34,021	21,484	<b>234,372</b>
	Total	73,747	72,030	146,355	66,079	39,187	27,901	<b>425,299</b>
<b>Final Outturn</b>		<b>54,006</b>	<b>31,785</b>	<b>112,476</b>	<b>17,986</b>	<b>24,769</b>	<b>(36)</b>	<b>240,986</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 2. SEGMENTAL REPORTING (continued)

2009/10	Community	Environment	Lifelong	Corporate	Central and	HRA	Total
	Services		Learning	Services	Corporate		
	£000	£000	£000	£000	Finance	£000	£000
<b>Income</b>							
Fees, charges & other service income	(5,464)	(25,352)	(12,403)	(3,067)	(40,649)	(57,362)	<b>(144,297)</b>
Government grants	(14,292)	(11,615)	(22,101)	(42,501)	0	6,441	<b>(84,068)</b>
Total	(19,756)	(36,967)	(34,504)	(45,568)	(40,649)	(50,921)	<b>(228,365)</b>
<b>Expenditure</b>							
Employee expenses	32,475	25,388	107,019	14,682	5,552	6,424	<b>191,540</b>
Other service expenses	40,561	42,750	37,846	48,947	57,037	43,937	<b>271,078</b>
Total	73,036	68,138	144,865	63,629	62,589	50,361	<b>462,618</b>
<b>Final Outturn</b>	<b>53,280</b>	<b>31,171</b>	<b>110,361</b>	<b>18,061</b>	<b>21,940</b>	<b>(560)</b>	<b>234,253</b>

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11	2009/10
	£000	£000
Final outturn	240,986	234,253
Add amounts not reported to management	(1,632)	239,673
Remove amounts reported to management not included in comprehensive income and expenditure statement	(29,469)	(53,630)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>209,885</b>	<b>420,296</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 2. SEGMENTAL REPORTING (continued)

Reconciliation to Subjective Analysis (Single Entity) 2010/11	Service Analysis £000	Not Reported to Manag't £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(139,185)	0	0	(139,185)	0	(139,185)
Interest and investment income	0	0	0	0	(29,103)	(29,103)
Income from council tax	0	0	0	0	(67,384)	(67,384)
Distribution from non-domestic rate pool	0	0	0	0	(42,236)	(42,236)
Government grants and contributions	(45,128)	0	0	(45,128)	(166,838)	(211,966)
Gain or loss on disposal of fixed assets	0	0	0	0	(323)	(323)
<b>Total Income</b>	<b>(184,313)</b>	<b>0</b>	<b>0</b>	<b>(184,313)</b>	<b>(305,884)</b>	<b>(490,197)</b>
Employee expenses	190,927	0	0	190,927	0	190,927
Other service expenses	234,372	(57,315)	(8,178)	168,879	0	168,879
Support Service recharges	0	21,291	(21,291)	0	0	0
Depreciation, amortisation and impairment	0	34,392	0	34,392	0	34,392
Interest payments	0	0	0	0	47,666	47,666
Precepts & levies	0	0	0	0	21,424	21,424
<b>Total operating expenses</b>	<b>425,299</b>	<b>(1,632)</b>	<b>(29,469)</b>	<b>394,198</b>	<b>69,090</b>	<b>463,288</b>
<b>Surplus or deficit on the provision of services</b>	<b>240,986</b>	<b>(1,632)</b>	<b>(29,469)</b>	<b>209,885</b>	<b>(236,794)</b>	<b>(26,909)</b>

Reconciliation to Subjective Analysis (Single Entity) 2009/10	Service Analysis £000	Not Reported to Manag't £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(144,297)	(225)	0	(144,522)	0	(144,522)
Interest and investment income	0	0	4,873	4,873	(25,029)	(20,156)
Income from council tax	0	0	0	0	(65,151)	(65,151)
Distribution from non-domestic rate pool	0	0	0	0	(40,437)	(40,437)
Government grants and contributions	(84,068)	2,774	0	(81,294)	(161,621)	(242,915)
Gain or loss on disposal of fixed assets	0	0	0	0	(648)	(648)
<b>Total Income</b>	<b>(228,365)</b>	<b>2,549</b>	<b>4,873</b>	<b>(220,943)</b>	<b>(292,886)</b>	<b>(513,829)</b>
Employee expenses	191,541	5,697	(952)	196,286	0	196,286
Other service expenses	271,077	148,357	(27,781)	391,653	0	391,653
Support Service recharges	0	22,294	(22,294)	0	0	0
Depreciation, amortisation and impairment	0	60,776	0	60,776	0	60,776
Interest payments	0	0	(7,476)	(7,476)	48,960	41,484
Precepts & levies	0	0	0	0	20,806	20,806
<b>Total operating expenses</b>	<b>462,618</b>	<b>237,124</b>	<b>(58,503)</b>	<b>641,239</b>	<b>69,766</b>	<b>711,005</b>
<b>Surplus or deficit on the provision of services</b>	<b>234,253</b>	<b>239,673</b>	<b>(53,630)</b>	<b>420,296</b>	<b>(223,120)</b>	<b>197,176</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Interest payments and similar charges of £9,443k (£10,056k in 2009/10) together with investment losses of £99k (£1,680k in 2009/10) and investment expenditure of £5,227k (£6,925k in 2009/10) totaling £5,326k (£8,605k in 2009/10), pensions interest cost and expected return on pensions assets of £9,991k (£13,275k in 2009/10) and interest and investment income of £6,197k (£8,005k in 2009/10) produce an aggregate net total of £18,563k (£23,931k in 2009/10).

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Interest payable and similar charges	9,443	10,056
Investment losses and investment expenditure (see analysis in note 4 below)	5,326	8,605
Pensions interest cost and expected return on pensions assets	9,991	13,275
Interest and investment income	(6,197)	(8,005)
	<u>18,563</u>	<u>23,931</u>

**4. INVESTMENT LOSSES**

Impairment of £99k net (£1,680k in 2009/10) and investment expenditure of £5,227k (£6,925k in 2009/10) have been recognized.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Impairment on investment property	234	1,329
Impairment adjustments - Landsbanki	28	535
Less interest receivable	<u>(163)</u>	<u>(184)</u>
	<u>(135)</u>	<u>351</u>
	99	1,680
Investment (properties) expenditure	<u>5,227</u>	<u>6,925</u>
	<u>5,326</u>	<u>8,605</u>

Investment property impairment losses account for £234k of the net total, offset by a net adjustment of £135k relating to investments in the Icelandic bank Landsbanki, which collapsed in October 2008. The Council has £3,700k deposited with Landsbanki with varying maturity dates and interest rates :-

<b>Date Invested</b>	<b>Maturity Date</b>	<b>Amount Invested</b>	<b>Interest Rate</b>
		<b>£000</b>	<b>%</b>
22/07/08	17/10/08	1,200	5.82
01/09/08	14/11/08	1,500	5.70
08/09/08	18/11/09	1,000	5.67

All monies are currently subject to the administration process - the amounts and timings of payments to depositors will be determined by the administrators. Information currently available indicates that recovery of 94.86% of the deposit value might be achieved; the Authority has recognised an impairment based on the estimated recovery as at 31st March 2011.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**4. INVESTMENT LOSSES (continued)**

The available information is not definitive as to the amounts and timings of payments to be made by the administrators, and it is likely that further adjustments will be made to the accounts in future years. However, the gross impairment adjustment for 2010/11 (£28k) recognised in the comprehensive income and expenditure statement has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are fully recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Recovery is subject to the following uncertainties and risks:

- Deposits have been awarded priority status by the Icelandic district court, but there could be an appeal against the award to the Supreme Court.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling. Currently, these fluctuations are not expected to be material, although this may change in the future.

Any change to the priority creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore, if priority creditor status is removed the recoverable amount may only be 29%.

No information has been provided by the resolution committee about the timing of any payment to depositors, and because it is anticipated that all the assets of Landsbanki will need to be realised to repay priority creditors, settlement in a single sum is unlikely. It is therefore assumed that the repayment will be made as follows –

Date	%
December 2011	22.17
December 2012	8.87
December 2013	8.87
December 2014	8.87
December 2015	8.87
December 2016	8.87
December 2017	8.87
December 2018	19.47
	94.86

The Council took advantage of the Capital Finance Regulations to defer the impact of the impairment on the Council Fund until 2010/11. The cumulative impairment charge of £791k net (as detailed below), has now been transferred to the Council Fund –

Year	£000
2008/09	575
2009/10	351
2010/11	(135)
	791

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

### 5. PENSIONS

#### Teachers:

In 2010/11, the Council paid £7,331k to the Department for Education in respect of teachers' pension costs (£7,313k in 2009/10), which represents 14.10% (average) of teachers' pensionable pay (14.11% in 2009/10).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £476k (£434k in 2009/10), representing 0.92% of pensionable pay (0.84% in 2009/10).

The Teachers' Pension Scheme is a defined benefit scheme but is treated as a defined contribution scheme for accounting purposes as the Authority is unable to identify its share of assets and liabilities.

#### Other Employees:

The Council paid £2k to the Clwyd Pension Fund during 2010/11 in respect of interest on cash balances (£66k in 2009/10), and received £847k from the fund for benefits administration and other central support services (£905k in 2009/10).

The impact of the pension costs charge on the balance sheet and comprehensive income and expenditure statement is reflected in the notes that follow.

Further information regarding the Clwyd Pension Fund accounts is provided on pages 93 to 105, and in the Clwyd Pension Fund Annual Report which is available upon request.

#### Transactions Relating to Retirement Benefits -

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the movement in reserves statement. The transactions that have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year are :-

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 5. PENSIONS (continued)

	2011		2010	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Net Cost of Services -</b>				
Current service cost	14,168		8,705	
Past service cost/(gain)	(34,117)		61	
Curtailments/settlements	1,090		1,726	
<b>Net Operating Expenditure -</b>		(18,859)		10,492
Interest cost	32,897		30,299	
Expected return on scheme assets	(22,906)		(17,024)	
		9,991		13,275
<b>Net charge to comprehensive income and expenditure statement</b>		<b>(8,868)</b>		<b>23,767</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made for retirement benefits in accordance with IAS 19		8,868		(23,767)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme		21,030		21,662
<b>Net debit/(credit) to the movement in reserves statement</b>		<b>29,898</b>		<b>(2,105)</b>

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, there are actuarial gains of £15,729k (losses of £66,121k in 2009/10). The cumulative amount of actuarial losses is £148,411k (net).

**Assets and Liabilities in Relation to Retirement Benefits -**

Reconciliation of present value of the scheme liabilities -

	2011	2010	2009
	£000	£000	£000
1st April	589,060	429,545	501,354
Current service cost	14,168	8,705	12,945
Interest cost	32,897	30,299	30,607
Contributions by scheme participants	4,954	4,996	4,732
Actuarial gains and losses	(22,010)	133,034	(104,007)
Benefits paid	(21,511)	(19,306)	(16,870)
Past service costs	40	61	38
Past service gains *	(34,157)	0	0
Curtailments/settlements	1,090	1,726	746
31st March	<u>564,531</u>	<u>589,060</u>	<u>429,545</u>

\* gains due to the change in scheme benefits - applying CPI to pensions which were previously calculated on RPI

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**5. PENSIONS (continued)**

Reconciliation of fair value of the scheme assets -

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
1st April	340,130	248,841	314,870
Expected rate of return	22,906	17,024	21,202
Actuarial gains and losses	(6,281)	66,913	(96,343)
Employer contributions	19,397	21,662	21,250
Contributions by scheme participants	4,954	4,996	4,732
Benefits paid	(19,878)	(19,306)	(16,870)
31st March	<u>361,228</u>	<u>340,130</u>	<u>248,841</u>

The actuarial assumptions used have been agreed with the actuary (Mercer Human Resource Consulting Limited) in line with the guidance provided by CIPFA.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The assumed investment return on government bonds is the yield on 20 year fixed interest gilts at the relevant date. The return on equities is the yield on 20 year fixed interest gilts plus an allowance for the 'risk premium' associated with equity investment.

The actual return on scheme assets in the year was £24,206k (£83,937k in 2009/10).

**Scheme History -**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006*</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Restated</b>	<b>Restated</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of liabilities	(564,531)	(589,060)	(429,545)	(501,354)	(465,645)	(460,835)
Fair value of assets	361,228	340,130	248,841	314,562	317,008	293,235
Surplus/deficit in the scheme	<u>(203,303)</u>	<u>(248,930)</u>	<u>(180,704)</u>	<u>(186,792)</u>	<u>(148,637)</u>	<u>(167,600)</u>

\* The council has elected not to restate fair value of scheme assets for 2005/06.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £203m has an impact on the total reserves of the authority as recorded in the Balance Sheet, the overall balance being £651,339k.

Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit on the local government scheme will be made good by increased contributions over the working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2012 is £18.9m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**5. PENSIONS (continued)****Basis for Estimating Assets and Liabilities -**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 1st April 2010.

The principal assumptions used by the actuary are -

	<b>2011</b>	<b>2010</b>	<b>1st April 2009</b>
<b>Long term expected return on assets in the scheme</b>			
Equity investments	7.5%	7.5%	7.5%
Bonds	n/a	n/a	n/a
Other	7.5%	7.5%	7.5%
<b>Mortality Assumptions</b>			
Longevity at 65 for current pensioners -			
Men	21.8 yrs.	21.2 yrs.	21.2 yrs.
Women	24.3 yrs.	24.1 yrs.	24.0 yrs.
Longevity at 65 for future pensioners -			
Men	23.2 yrs.	22.2 yrs.	22.2 yrs.
Women	25.9 yrs.	25.0 yrs.	25.0 yrs.
Rate of inflation (Retail Prices Index)	3.4%	3.3%	3.3%
Rate of inflation (Consumer Prices Index)	2.9%	2.8%	n/a
Rate of increase in salaries	4.4%	4.55%	4.55%
Rate of increase in pensions	2.9%	3.3%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%	7.1%
Take up option to convert annual pension into retirement lump sum	50%	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held :-

	<b>2011</b>	<b>2010</b>	<b>1st April 2009</b>
	%	%	%
Equity investments	58	58	52
Other bonds	12	12	12
Property	7	7	8
Cash/liquidity	2	0	1
Other assets	21	23	27
	<u>100</u>	<u>100</u>	<u>100</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 5. PENSIONS (continued)

## History of Experience Gains and Losses -

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011 :-

	2011	2010	2009	2008	2007	2006
				Restated	Restated	
			%	%	%	%
Differences between the expected and actual return on assets	(1.74)	19.67	(38.72)	(9.70)	0.64	15.04
Experience gains and losses on liabilities	3.31	0.00	0.00	1.68	0.00	(1.87)

## 6. COUNCIL TAX

All domestic dwellings are included in the Council tax valuation list which is issued and maintained by the Valuation Office Agency. Each dwelling is placed in one of nine main bands (A to I) depending on the open market valuation of the property at 1st April 2003. A tenth band (A\*) is only available to those taxpayers who live in band A properties and are entitled to a reduction where a property has been adapted for their disability.

Council tax is based on the valuation band into which a property has been placed. Charges are calculated by dividing the total annual income requirements of the Council and the North Wales Police Authority by the Council tax base. The tax base is the total of all the properties in each band adjusted by a proportion to convert the number to a band D equivalent, and also adjusted for discounts. The tax base for 2010/11 was 60,528 (60,328 in 2009/10), as calculated below :

	Band A*	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total	
<b>Chargeable Dwellings</b>												
Number of chargeable dwellings	-	3,759	8,658	19,243	11,772	9,703	6,536	2,967	572	223	63,433	
Dwellings with disabled reliefs	-	26	59	140	116	115	78	38	11	21	604	
Adjusted chargeable dwellings	26	3,792	8,739	19,219	11,771	9,666	6,496	2,940	582	202	63,433	
<b>Adjusted Chargeable Dwellings</b>												
Dwellings with no discounts	12	1,256	4,821	12,644	8,440	7,459	5,426	2,530	504	181	43,273	
Dwellings with one discount	14	2,535	3,912	6,567	3,321	2,201	1,063	403	61	17	20,094	
Dwellings with two discounts	0	1	6	8	10	6	7	7	17	4	66	
Discounted chargeable dwellings	26	3,792	8,739	19,219	11,771	9,666	6,496	2,940	582	202	63,433	
<b>Discounted Chargeable Dwellings</b>												
Total discounted dwellings	23	3,158	7,758	17,573	10,936	9,113	6,227	2,836	558	196	-	
Ratio to band "D"	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	-	
Band "D" equivalent	13	2,105	6,034	15,621	10,936	11,138	8,994	4,726	1,116	457	61,139	
											Collection rate adjustment (at 1%)	(611)
											Exempt properties adjustment	0
											<b>Council Tax Base 2010/11</b>	<b>60,528</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**6. COUNCIL TAX (continued)**

The basic Flintshire charge for a band D property in 2010/11 was £878.86 (£850.78 in 2009/10). Council tax bills were based on the following multipliers for bands A\* to I :-

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9

Significant amongst the precepts levied on Flintshire County Council was that of the North Wales Police Authority in the sum of £12,186,102 (£11,792,917 in 2009/10). The 34 community/town councils also levied precepts amounting in total to £2,119,240 (£2,040,139 in 2009/10).

**Analysis of the net proceeds from Council tax:**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Council tax collected	67,676	65,550
Add - Decrease in bad debts provision	124	12
Less - Amounts written off to provision	(416)	(411)
	<u>67,384</u>	<u>65,151</u>
Less - Payable to North Wales Police Authority	(12,186)	(11,793)
	<u>55,198</u>	<u>53,358</u>

**7. NON-DOMESTIC RATES (NDR)**

NDR is organised on a national basis. The government sets the rate poundage which in 2010/11 was 40.9p for all properties (48.9p in 2009/10). The Council is responsible for collecting the rates in its area, which are paid into the NDR pool administered by the Welsh Government.

The Welsh Government distributes NDR pool receipts to local authorities on the basis of a fixed amount per head of population. 2010/11 NDR income paid into the pool was £50,591,181 after relief and provisions (£45,986,231 in 2009/10), based on a year end rateable value total of £148,694,794 (£119,609,361 in 2009/10).

**Analysis of the net proceeds from non-domestic rates:**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Non-domestic rates collected	51,085	46,941
Less - Paid into NDR pool	(50,591)	(45,986)
Less - Cost of collection	(509)	(864)
Add - Decrease in bad debts provision	15	(91)
	<u>0</u>	<u>0</u>
Receipts from pool	42,236	40,437
	<u>42,236</u>	<u>40,437</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**8. GRANTS – REVENUE (GENERAL) AND CAPITAL**

Welsh Government revenue grant funding of £146,458k (£143,293k in 2009/10) was received during 2010/11, comprising of revenue support grant, and improvement agreement grant.

Capital grants and contributions earned totaling £20,380k (£18,328k in 2009/10) are also reflected in the Comprehensive Income and, producing a grant income total of £166,838k (£161,621k in 2009/10).

	2011		2010	
	£000	£000	£000	£000
<b>Revenue Grants - General</b>				
Revenue support grant	144,976		141,572	
Improvement agreement grant	1,482		1,496	
Deprivation grant	0		225	
	<u>          </u>	146,458	<u>          </u>	143,293
<b>Capital Grants and Contributions</b>				
Capital grants	15,180		13,128	
Major repairs allowance	5,200		5,200	
	<u>          </u>	20,380	<u>          </u>	18,328
		<u>166,838</u>		<u>161,621</u>

**9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue resources. The debit adjustment for the year is £17,755k (£198,480k credit in 2009/10).

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

2010/11	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Charges for depreciation and impairment of non current assets	0	0	27,168	0	6,873	<b>34,041</b>	(34,041)
Revaluation losses on Property Plant and Equipment	0	0	65	0	0	<b>65</b>	(65)
Movements in the market value of Investment Properties	0	0	234	0	0	<b>234</b>	(234)
Amortisation of intangible assets	0	0	0	0	3	<b>3</b>	(3)
Capital grants and contributions applied	0	(17,782)	0	0	0	<b>(17,782)</b>	17,782
Movement in the Donated Assets Account	0	0	0	0	0	<b>0</b>	0
Revenue expenditure funded from capital under statute	0	0	7,597	0	0	<b>7,597</b>	(7,597)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(323)	0	465	<b>142</b>	(142)
<i>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Statutory provision for the financing of capital investment	0	0	(5,864)	0	(550)	<b>(6,414)</b>	6,414
Capital expenditure charged against the Council Fund and HRA balances	0	0	(1,229)	(441)	(2,000)	<b>(3,670)</b>	3,670
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	<b>0</b>	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	20,380	(20,380)	0	0	<b>0</b>	0
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	1,409	0	0	0	0	<b>1,409</b>	(1,409)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	(474)	0	(188)	<b>(662)</b>	662
<b>Adjustments involving the Pensions Reserve:</b>							
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	0	0	(29,898)	0	0	<b>(29,898)</b>	29,898
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,236	<b>1,236</b>	(1,236)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(947)	<b>(947)</b>	947
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>							
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	<b>0</b>	0
<b>Adjustment involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	814	0	(27)	<b>787</b>	(787)
<b>Other Adjustment</b>							
Net transfer to or from earmarked reserves as required by legislation	0	0	(3,751)	0	(145)	<b>(3,896)</b>	3,896
Adjustments between accounting basis & funding basis under regulations	1,409	2,598	(26,041)	(441)	4,720	<b>(17,755)</b>	17,755

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)**

2009/10	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Charges for depreciation and impairment of non current assets	0	0	132,666	0	89,424	<b>222,090</b>	(222,090)
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	<b>0</b>	0
Movements in the market value of Investment Properties	0	0	(1,048)	0	0	<b>(1,048)</b>	1,048
Amortisation of intangible assets	0	0	64	0	0	<b>64</b>	(64)
Capital grants and contributions applied	0	0	(17,747)	0	0	<b>(17,747)</b>	17,747
Movement in the Donated Assets Account	0	0	0	0	0	<b>0</b>	0
Revenue expenditure funded from capital under statute	0	0	4,126	0	0	<b>4,126</b>	(4,126)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(1,583)	0	0	<b>(1,583)</b>	1,583
<i>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Statutory provision for the financing of capital investment	0	0	(6,416)	0	(614)	<b>(7,030)</b>	7,030
Capital expenditure charged against the Council Fund and HRA balances	0	0	(248)	899	(1,682)	<b>(1,031)</b>	1,031
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	<b>0</b>	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	(3,323)	0	0	0	<b>(3,323)</b>	3,323
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	3,030	0	0	0	0	<b>3,030</b>	(3,030)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	(24)	0	(238)	<b>(262)</b>	262
<b>Adjustments involving the Pensions Reserve:</b>							
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	0	0	1,887	0	0	<b>1,887</b>	(1,887)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,146	<b>1,146</b>	(1,146)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(931)	<b>(931)</b>	931
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>							
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	4,903	0	0	<b>4,903</b>	(4,903)
<b>Adjustment involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(929)	0	(22)	<b>(951)</b>	951
<b>Other Adjustment</b>							
Net transfer to or from earmarked reserves as required by legislation	0	0	(5,318)	458	0	<b>(4,860)</b>	4,860
Adjustments between accounting basis & funding basis under regulations	3,030	(3,323)	110,333	1,357	87,083	<b>198,480</b>	(198,480)

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**10. PROVISION FOR REPAYMENT OF EXTERNAL LOANS**

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Authority to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2010/11 were as follows :-

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Total minimum revenue provision	6,338	7,030
Recharge to housing revenue account	(592)	(614)
	<u>5,746</u>	<u>6,416</u>

**11. RELATED PARTIES**

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council – relevant transactions with members of the Council during 2010/11 amounted to £357k (£285k in 2009/10); total precepts and levies to the North Wales Police Authority and the North Wales Fire and Rescue Authority amounted to £19,305k (£18,766k in 2009/10); material transactions with the Welsh Government are summarised in notes 7 and 8, with further grant support as below:-

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Communities First	792	747
Concessionary Fares	1,590	1,895
Education, Support and Training / Other	18,353	18,479
Local Transport Subsidy	562	540
Social Services Programme	3,546	3,936
Substance Misuse	492	752
Supporting People	6,157	5,641
Sustainable Waste Management	3,465	2,815
Miscellaneous	790	1,335
	<u>35,747</u>	<u>36,140</u>

During 2010/11 the Council continued to have an interest in an associated company (AD Waste Limited) up until the company's activities were brought in-house with effect from 1st October 2010; relevant transactions for the period are disclosed within the group accounts (and notes) on pages 90 and 91. Details of transactions with the Pension Fund are provided in note 5 on pages 47 to 51, and within the Pension Fund accounts on pages 93 to 105.

**12. AUDIT FEES**

Total audit and inspection fees due during the year amounted to £491k (£436k in 2009/10). External audit services were provided by Wales Audit Office.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Fees for the accounts	221	216
Fees for the Local Government Measure	156	70
Fees for grants	114	150
	<u>491</u>	<u>436</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**13. OFFICERS' REMUNERATION**

Regulation 7A of the Accounts and Audit (Wales) (Amendment) Regulations 2010 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000 :-

Remuneration Band	2011		2010	
	Non- Schools	Schools	Non- Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	3	8	4	4
£65,000 - £69,999	12	5	9	5
£70,000 - £74,999	3	3	4	4
£75,000 - £79,999	1	4	0	1
£80,000 - £84,999	2	1	2	0
£85,000 - £89,999	1	1	1	2
£90,000 - £94,999	0	1	2	0
£95,000 - £99,999	2	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	1	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	1	0
£140,000 - £144,999	3	0	0	0
	<u>28</u>	<u>23</u>	<u>24</u>	<u>16</u>

Information has been compiled on the basis of the requirements of the Accounts and Audit Regulations, and related CIPFA guidance; the numbers include 'non-permanents' (interims / consultants), and all non-school numbers include the senior employee posts listed on page 58. The band values do not include employer pension contributions, which (for both 2009/10 and 2010/11) were accounted for at a rate of 14.1% for teachers and 22.3% for other employees.

2009/10 comparators have been restated to take account of the requirements of the 2010/11 Code of Practice on Local Authority Accounting.

**Senior Employee Emoluments (Salary between £60,000 and £150,000 per year) –**

The Accounts and Audit (Wales (Amendment) Regulations 2010 introduced the requirement to disclose the individual remuneration details for senior employees. Senior employees for the purpose of the disclosure are the chief executive, strategic directors and statutory chief officers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**13. OFFICERS' REMUNERATION (continued)**

Post Title	Note	Pensionable	Expense	Total	Employer's	Total
		Pay	Allowance	Remuneration Excluding Pension Contributions	Pension Contributions	Remuneration Including Pension Contributions
		£	£	£	£	£
<b>2010/11</b>						
Chief Executive		140,264	160	<b>140,424</b>	31,279	<b>171,703</b>
Director of Community Services (not in post)		0	0	<b>0</b>	0	<b>0</b>
Director of Environment		97,328	0	<b>97,328</b>	21,704	<b>119,032</b>
Director of Lifelong Learning		97,328	0	<b>97,328</b>	21,704	<b>119,032</b>
Head of Finance		81,960	10	<b>81,970</b>	18,277	<b>100,247</b>
Head of Legal and Democratic Services		83,049	0	<b>83,049</b>	18,520	<b>101,569</b>
		<b>499,929</b>	<b>170</b>	<b>500,099</b>	<b>111,484</b>	<b>611,583</b>
<b>2009/10 (comparative information)</b>						
Chief Executive	<b>1</b>	136,855	160	<b>137,015</b>	30,519	<b>167,534</b>
Director of Community Services		89,132	160	<b>89,292</b>	19,876	<b>109,168</b>
Director of Environment		93,742	0	<b>93,742</b>	20,904	<b>114,646</b>
Director of Lifelong Learning		93,742	0	<b>93,742</b>	20,904	<b>114,646</b>
Head of Finance		81,960	160	<b>82,120</b>	18,277	<b>100,397</b>
Head of Legal and Democratic Services	<b>2</b>	83,049	0	<b>83,049</b>	18,520	<b>101,569</b>
		<b>578,480</b>	<b>480</b>	<b>578,960</b>	<b>129,000</b>	<b>707,960</b>

**Note 1 :** Pensionable pay includes remuneration relating to (a) returning officer for national elections (with costs reimbursed by the respective government), and (b) clerk to the North Wales Fire and Rescue Authority (with costs reimbursed by that body).

**Note 2 :** Pensionable pay includes remuneration relating to deputy clerk to the North Wales Fire and Rescue Authority (with costs reimbursed by that body).

**14. AGENCY SERVICES**

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Environment directorate within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government.

Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £2,258k (£2,332k in 2009/10), which included an administrative allowance, and direct funding for the directorate's Technical Investigations Unit, which is located in the Agency's St. Asaph area office.

Income and expenditure relating to the Trunk Road Agency Agreement is incorporated in the comprehensive income and expenditure statement net cost of services total, including a surplus of £25k from the Technical Investigations Unit (£100k in 2009/10); the Unit is transferring to Gwynedd County Council with effect from 1st April 2011.



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 15. LEASING

## Lessee Rentals

## Finance Leases -

The Council has acquired a number of items of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

<b>Asset Classification</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>1st April 2009 £000</b>
Land	0	0	0
Buildings	0	0	0
Vehicles, plant and equipment	948	1,798	2,009
	<u>948</u>	<u>1,798</u>	<u>2,009</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts of which £311k is due to be paid during the next 12 months (£454k equivalent for the previous financial year); the non-current amount of £641k is included within the deferred liabilities total of £1,666k (note 35 on page 73) :

	<b>2011 £000</b>	<b>2010 £000</b>	<b>1st April 2009 £000</b>
Finance lease liabilities (net present value of the minimum lease payments):			
Current	311	454	368
Non-current	641	717	873
	<u>952</u>	<u>1171</u>	<u>1241</u>
Finance costs payable in future years	347	375	514
Minimum lease payments	<u>1,299</u>	<u>1,546</u>	<u>1,755</u>

Minimum lease payments - the lowest amount that a lessee can expect to pay on a lease over its lifetime

Finance lease liabilities - the capital element of the minimum lease payments

Finance costs - the interest element of the minimum lease payments

The minimum lease payments and finance lease liabilities will be payable over the following periods:

	<b>Minimum Lease Payments</b>			<b>Finance Lease Liabilities</b>		
	<b>2011 £000</b>	<b>2010 £000</b>	<b>1st April 2009 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>1st April 2009 £000</b>
Not later than one year	395	542	543	311	454	368
Later than one year and not later than five years	718	750	900	487	521	649
Later than five years	186	254	312	154	196	224
	<u>1,299</u>	<u>1,546</u>	<u>1,755</u>	<u>952</u>	<u>1,171</u>	<u>1,241</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**15. LEASING (continued)****Operating Leases -**

In 2010/11, operating lease rentals paid amounted to £1,764k (£1,607k in 2009/10).

<b>Asset Classification</b>	<b>2011 £000</b>	<b>2010 £000</b>
Land	22	17
Buildings	172	197
Vehicles, plant and equipment	1,570	1,393
	<u>1,764</u>	<u>1,607</u>

The minimum lease payments due under operating leases in future years are :

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Vehicles, Plant &amp; Equipment £000</b>	<b>Total £000</b>
Not later than one year	22	163	1,455	1,640
Later than one year and not later than five years	69	393	2,446	2,908
Later than five years *	913	172	22	1,107
	<u>1,004</u>	<u>728</u>	<u>3,923</u>	<u>5,655</u>

\* Any open ended agreements are calculated to 2018/19 in line with the general average life of the longest leases

**Lessor Rentals****Operating Leases –**

The Council leases out property under operating leases largely for economic development purposes. In 2010/11, lease rentals receivable amounted to £2,324k (£2,323k in 2009/10).

The minimum lease payments receivable under operating leases in future years are:

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Total £000</b>
Not later than one year	412	1,849	2,261
Later than one year and not later than five years	1,621	6,858	8,479
Later than five years *	30,733	13,001	43,734
	<u>32,766</u>	<u>21,708</u>	<u>54,474</u>

\* Any open ended agreements are calculated to 2029/30 in line with the general average life of the longest leases

**Finance Leases –**

The Council does not lease out any properties on finance leases.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**16. MEMBERS' ALLOWANCES**

Allowances totaling £1,346k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2010/11 (£1,395k in 2009/10).

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Basic allowance	910	906
Special responsibility allowance	251	312
Care allowance	4	2
Employer's national insurance	96	103
Employer's superannuation	38	38
Members' expenses	47	34
	<u>1,346</u>	<u>1,395</u>

The allowances paid fall into the following bands :-

	<b>2011</b>	<b>2010</b>
<b>Allowance Band</b>	<b>Number of Members</b>	<b>Number of Members</b>
£10,000 - £14,999	48	36
£15,000 - £19,999	3	9
£20,000 - £24,999	6	8
£25,000 - £29,999	3	9
£30,000 - £34,999	6	5
£35,000 - £39,999	3	2
£40,000 - £44,999	0	0
£45,000 - £49,999	0	0
£50,000 - £54,999	1	1
	<u>70</u>	<u>70</u>

**17. TRADING OPERATIONS**

Since the repeal in January 2000 of the statutory requirements relating to the accounting and reporting for direct service organisations, there is no longer a prescribed requirement to keep trading accounts for services, but the following summary information is provided in relation to recognised trading activities. These accounts are an integral part of the total costs of particular services and consolidated in the net operating expenditure.

	<b>2011</b>		<b>2010</b>	
	<b>Income</b>	<b>(Surplus)/ Deficit</b>	<b>Income</b>	<b>(Surplus)/ Deficit</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Building maintenance	9,229	(580)	8,127	(81)
Refuse collection	5,934	(300)	5,581	(210)
	<u>15,163</u>	<u>(880)</u>	<u>13,708</u>	<u>(291)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**17. TRADING OPERATIONS (continued)**

- The building maintenance surplus of £580k reflects significant improvement on the 2009/10 surplus figure of £81k, which is due mainly to increased productivity and improved organisational efficiency following restructuring.
- The improved refuse collection surplus of £300k reflects additional income on internal contracts arising from further expansion of recycling services.

**18. NATIONAL HEALTH SERVICES (WALES) ACT 2006**

The Council have an agreement with Wrexham County Borough Council, Flintshire Local Health Board, Wrexham Local Health Board and North Wales NHS Trust (East), pursuant to Section 33 of the National Health Service (Wales) Act 2006, for the provision of an integrated community equipment service under a pooled fund arrangement. The service is provided through staff of Flintshire County Council (as host partner) from Unit 3, Hawarden Industrial Estate, Hawarden.

<b>Partnership</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Gross expenditure	958	545
Gross income	(942)	(608)
<b>(Surplus)/deficit for year</b>	<u>16</u>	<u>(63)</u>
 <b>Contribution to Budget</b>		
Flintshire County Council	362	236

Unit 3, which is situated within Flintshire, is jointly owned by Flintshire County Council (50.25%) and Wrexham County Borough Council (49.75%), and has been valued at £907k; the premises are included in Flintshire County Council's balance sheet (as host partner):-

<b>Valuation</b>	<b>£000</b>	<b>%</b>
Flintshire County Council	456	50.25
Wrexham County Borough Council	451	49.75
	<u>907</u>	<u>100.00</u>

**19. INTANGIBLE ASSETS**

	<b>2011</b>	<b>Write-Offs</b>	<b>Additions</b>	<b>2010</b>	<b>1st April</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>2009</b>
					<b>£000</b>
Software licences	0	(6)	0	6	12
Development expenditure	628	(106)	47	687	405
	<u>628</u>	<u>(106)</u>	<u>47</u>	<u>693</u>	<u>417</u>

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy as included on pages 9 and 10.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 20. PROPERTY PLANT AND EQUIPMENT

## Movements 2010/11

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra- structure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2010	423,217	471,080	32,144	8,983	190,758	10,370	11,493	1,148,045
Opening adjustments	(24,461)	(17,522)	0	(6)	0	0	(10,812)	(52,801)
Additions	8,021	6,418	1,733	0	4,919	550	532	22,173
Disposals	(514)	(35)	0	0	0	0	0	(549)
Reclassifications	(1,389)	(105)	0	55	0	0	0	(1,439)
Revaluations	23,124	(7,843)		0	0	0	0	15,281
At 31st March 2011	427,998	451,993	33,877	9,032	195,677	10,920	1,213	1,130,710
<b>Depreciation and Impairments</b>								
At 1st April, 2010	(94,502)	(122,045)	(25,209)	(236)	(36,937)	(1,236)	(10,812)	(290,977)
Opening adjustments	24,461	17,522	0	115	0	0	10,812	52,910
Depreciation charge for 2010/11	(5,200)	(8,021)	(2,713)	0	(4,724)	(226)	0	(20,884)
Impairment charge for 2010/11	0	(253)	0	(10)	0	0	0	(263)
Expenditure adjustments*	(1,604)	(733)	0	0	0	0	0	(2,337)
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	105	0	0	0	0	0	105
Revaluations	69,899	2,413	0	(982)	0	0	0	71,330
At 31st March 2011	(6,946)	(111,012)	(27,922)	(1,113)	(41,661)	(1,462)	0	(190,116)
Balance Sheet at 31st March 2011	421,052	340,981	5,955	7,919	154,016	9,458	1,213	940,594
Acquisitions AD Waste purchase	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2011	421,052	343,893	6,941	7,919	154,016	9,458	1,700	944,979
Balance Sheet at 1st April 2010	328,715	349,035	6,935	8,747	153,821	9,134	681	857,068
<b>Nature of Asset Holding</b>								
Owned	421,052	343,893	5,993	7,919	154,016	9,458	1,700	944,031
Finance Lease	0	0	948	0	0	0	0	948
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2011	421,052	343,893	6,941	7,919	154,016	9,458	1,700	944,979

\* being cumulative expenditure replaced by revaluation adjustments

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 20. PROPERTY PLANT AND EQUIPMENT (continued)

## Movements 2009/10

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra- structure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2009	411,984	448,418	31,059	11,115	182,587	8,901	9,177	1,103,241
Opening adjustments	0	(587)	0	81	0	0	0	(506)
Additions	6,020	8,583	1,085	0	8,171	1,469	1,865	27,193
Disposals	(479)	(555)	0	(600)	0	0	0	(1,634)
Reclassifications	0	(7,789)	0	(1,613)	0	0	451	(8,951)
Revaluations	5,692	23,010	0	0	0	0	0	28,702
At 31st March 2010	423,217	471,080	32,144	8,983	190,758	10,370	11,493	1,148,045
<b>Depreciation and Impairments</b>								
At 1st April, 2009	(25,569)	(40,770)	(19,283)	(614)	(32,379)	(1,048)	0	(119,663)
Opening adjustments	0	15	0	493	0	0	0	508
Depreciation charge for 2009/10	(5,200)	(7,853)	(5,926)	0	(4,558)	(188)	0	(23,725)
Impairment charge for 2009/10	(59,661)	(79,781)	0	(115)	0	0	0	(139,557)
Expenditure adjustments*	(24,461)	(17,522)	0	0	0	0	(10,812)	(52,795)
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	1,116	0	0	0	0	0	1,116
Revaluations	20,389	22,750	0	0	0	0	0	43,139
At 31st March 2010	(94,502)	(122,045)	(25,209)	(236)	(36,937)	(1,236)	(10,812)	(290,977)
Balance Sheet at 31st March 2010	328,715	349,035	6,935	8,747	153,821	9,134	681	857,068
Balance Sheet at 1st April 2009	386,415	407,648	11,776	10,501	150,208	7,853	9,177	983,578
<b>Nature of Asset Holding</b>								
Owned	328,715	349,035	5,137	8,747	153,821	9,134	681	855,270
Finance Lease	0	0	1,798	0	0	0	0	1,798
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2010	328,715	349,035	6,935	8,747	153,821	9,134	681	857,068
<b>Nature of Asset Holding</b>								
Owned	386,415	407,648	9,767	10,501	150,208	7,853	9,177	981,569
Finance Lease	0	0	2,009	0	0	0	0	2,009
Private Finance Initiative	0	0	0	0	0	0	0	0
At 1st April 2009	386,415	407,648	11,776	10,501	150,208	7,853	9,177	983,578

\* being cumulative expenditure replaced by revaluation adjustments

## Property, Plant and Equipment

- Council dwellings, other land and buildings, vehicles, plant, furniture and equipment that are held, occupied, used or contracted to be used on behalf of the Authority, or consumed in the direct delivery of services. Included are dwellings and other housing properties, office buildings, schools, libraries, sports centres and pools, residential homes/day centres, depots and workshops, cemetery buildings, off street car parks, vehicles, mechanical plant, fixtures and fittings and other equipment.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**20. PROPERTY PLANT AND EQUIPMENT (continued)**

- Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Included are highways, footpaths, bridges, water and drainage facilities and coastal defences.
- Community assets are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect of sale and change of use. Included are parks and open spaces, recreation grounds, play areas and cemetery land.

**21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE****Movements 2010/11**

	Investment Properties	Agricultural Estate	Total
	£000	£000	£000
<b>Cost or Valuation</b>			
At 1st April, 2010	31,386	14,864	46,250
Opening adjustments	(1)	(371)	(372)
Additions	16	0	16
Disposals	0	0	0
Reclassifications	105	0	105
Revaluations	(469)	0	(469)
At 31st March 2011	31,037	14,493	45,530
<b>Depreciation and Impairments</b>			
At 1st April, 2010	(4,073)	(371)	(4,444)
Opening adjustments	1	371	372
Depreciation charge for 2010/11	0	0	0
Impairment charge for 2010/11	0	0	0
Expenditure adjustments*	0	0	0
Disposals	0	0	0
Reclassifications	(105)	0	(105)
Revaluations	0	0	0
At 31st March 2011	(4,177)	0	(4,177)
Balance Sheet at 31st March 2011	26,860	14,493	41,353
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2011	27,006	14,493	41,499
Balance Sheet at 1st April 2010	27,313	14,493	41,806
<b>Nature of Asset Holding</b>			
Owned	26,860	14,493	41,353
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2011	26,860	14,493	41,353

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE (continued)

## Movements 2009/10

	Investment Properties	Agricultural Estate	Total
	£000	£000	£000
<b>Cost or Valuation</b>			
At 1st April, 2009	29,748	12,439	42,187
Opening adjustments	0	0	0
Additions	69	49	118
Disposals	0	0	0
Reclassifications	0	0	0
Revaluations	1,569	2,376	3,945
At 31st March 2010	31,386	14,864	46,250
<b>Depreciation and Impairments</b>			
At 1st April, 2009	(1,325)	0	(1,325)
Opening adjustments	0	0	0
Depreciation charge for 2009/10	0	0	0
Impairment charge for 2009/10	(2,742)	0	(2,742)
Expenditure adjustments*	(1)	(371)	(372)
Disposals	0	0	0
Reclassifications	0	0	0
Revaluations	(5)	0	(5)
At 31st March 2010	(4,073)	(371)	(4,444)
Balance Sheet at 31st March 2010	27,313	14,493	41,806
Balance Sheet at 1st April 2009	28,423	12,439	40,862
<b>Nature of Asset Holding</b>			
Owned	27,313	14,493	41,806
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2010	27,313	14,493	41,806
<b>Nature of Asset Holding</b>			
Owned	28,423	12,439	40,862
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 1st April 2009	28,423	12,439	40,862

\* being cumulative expenditure replaced by revaluation adjustments



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**22. ASSET VALUATION****Non-Current Asset Valuation**

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, and the CIPFA Guide to Asset Registers - they are classified into various groupings as required by the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom. The whole of the assets of the Authority must be revalued every five years, with 2010/11 representing the commencement of the new five year cycle. During 2010/11 approximately 10% of the assets were revalued, although material changes to valuations are adjusted as they occur. The valuation process incorporates impairment reviews in compliance with IAS 36.

Council dwellings and garages have been valued on the basis of existing use value for social housing. All property, plant and equipment are now valued at fair value (as is required by the implementation of IFRS) in accordance with IAS 16, with the exception of infrastructure assets, community assets and assets under construction which are valued on the basis of historical cost. Investment properties and the agricultural estate have also been valued at fair value in accordance with IAS 40. Those assets included at fair value have been valued by way of in-house and external valuers –

<b>Property, Plant and Equipment -</b> Council dwellings and garages	Alex Wheldon BSc(Hons) DipConsHistEnv(RICS) MRICS of Valuation Office Agency Wales, Wrexham and Paula M. Bllelock BSc (Hons) MRICS of Flintshire County Council
Residential homes	Not applicable this financial year
Other operational land and buildings	Paula M. Bllelock BSc (Hons) MRICS, John Allen FRICS, both of Flintshire County Council
<b>Non-Operational Assets</b> Investment property	Paula M. Bllelock BSc (Hons) MRICS, John Allen FRICS of Flintshire County Council
Agricultural estate	Not applicable this financial year

Straight line depreciation is provided for on all non-current assets with a finite useful life, other than for non-depreciable land and non-operational investment properties in accordance with IAS 16 and IAS 40. The calculation is based on the 2010/11 opening balance sheet valuations, with assumed nil residual values for all non-current assets, and varying useful life values across the portfolio. Where the asset comprises of two or more major components with substantially different useful economic lives, each component has been accounted for separately. A materiality level has been set for componentisation being individual assets greater than or equal to £2.5 million and significant components have been identified as 20% of the value of any material asset. Details of the useful lives for depreciation purposes are included within the Accounting Policies on page 7.

Vehicles, plant, furniture and equipment are valued on the basis of historic cost at £6,941k, net of depreciation (£6,935k in 2009/10).

**23. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

Total capital expenditure of £29,826k during the year was financed as detailed on page 68.

**Capitalisation Direction**

Under Section 16 (2)(b) of the Local Government Act 2003, the Welsh Government directed that the Council could treat in-year expenditure of £201k, which was incurred for the purpose of promoting Invest-to-Save agile-working initiatives, as expenditure for capital purposes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**23. CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)****Capital Financing**

	Supported Borrowing	Prudential Borrowing	Capital Receipts	Capital Grants & Contributions	Capital Reserves/CERA	Total
	£000	£000	£000	£000	£000	£000
Property, plant & equipment	5,412	757	207	12,546	3,291	22,213
Investment properties (and agricultural estate)	16	0	0	0	0	16
Total	5,428	757	207	12,546	3,291	22,229
REFCUS	2,345		10	5,237	5	7,597
2010/11 total	7,773	757	217	17,783	3,296	29,826
Being :-						
Housing revenue account	0	0	184	5,580	2,441	8,205
Council fund	7,773	757	33	12,203	855	21,621
2010/11 total	7,773	757	217	17,783	3,296	29,826

**Future Commitments**

At 31st March 2011, the Council's forward capital programme includes (amongst other indicative programme schemes), significant commitments in respect of school buildings repair and maintenance 'backlog' works (£11,833k), school amalgamation works (£4,230k) and regional transport plan schemes (£4,500k).

**24. LONG TERM INVESTMENTS**

Long term investments are carried in the balance sheet at fair value. Further related information is included in note 38 on pages 80 – 84.

	2011	2010	1st April 2009
	£000	£000	£000
War stock	13	12	14
Shares	613	600	661
Banks/building society deposits	2,002	0	6,448
	<u>2,628</u>	<u>612</u>	<u>7,123</u>

**25. LONG TERM DEBTORS**

	2011	2010	1st April 2009
	£000	£000	£000
Mortgages			
Former council house tenants	8	21	45
Private borrowers	0	0	1
	<u>8</u>	<u>21</u>	<u>46</u>
Renewal and improvement loans	304	0	0
Assisted car purchase loans	241	240	196
Private street works	38	38	36
	<u>591</u>	<u>299</u>	<u>278</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**26. INVENTORIES**

The Council hold total inventories of £1,264k (£1,031k in 2009/10 and £1,210k at 1st April 2009) in the balance sheet as at 31st March 2011.

	<b>2011</b>	<b>2010</b>	<b>1st April</b>
	<b>£000</b>	<b>£000</b>	<b>2009</b>
			<b>£000</b>
Building maintenance	145	147	146
Highways maintenance	378	448	501
Fleet fuel	31	33	21
Grounds maintenance	14	20	16
Vehicle maintenance	47	40	44
Miscellaneous	649	343	482
	<u>1,264</u>	<u>1,031</u>	<u>1,210</u>

In accordance with IAS 2 the total cost in the year of each main type of inventory held at the balance sheet date is to be disclosed.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Building maintenance	643	917
Highways maintenance	354	86
Fleet fuel (Queensferry)	237	145
Fleet fuel, grounds maintenance and vehicle maintenance (Alltami)	362	210
	<u>1,596</u>	<u>1,358</u>

**27. SHORT TERM DEBTORS**

	<b>2011</b>	<b>2010</b>	<b>1st April</b>
	<b>£000</b>	<b>£000</b>	<b>2009</b>
			<b>£000</b>
Housing rents	1,160	1,154	1,068
Local taxation	2,697	2,858	2,618
Government departments	4,106	2,115	2,731
Taxation	2,276	1,449	2,052
Lending	13	13	13
Payments made in advance	3,451	3,449	3,069
Benefit overpayments	1,264	1,150	983
Non-domestic rates agency	493	8,210	1,695
Other debtors	15,656	12,640	12,337
	<u>31,116</u>	<u>33,038</u>	<u>26,566</u>
Less provision for impairment losses (note 34)	(2,569)	(2,942)	(2,606)
	<u>28,547</u>	<u>30,096</u>	<u>23,960</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**28. SHORT TERM INVESTMENTS**

The balance sheet total of £10,410k (£6,947k in 2009/10 and £7,889k at 1st April 2009) includes investments of £3,700k deposited in Landsbanki (see also note 4 on pages 45 to 46), which have been impaired to take account of the financial difficulties being experienced by Icelandic banks :-

<b>Date Invested</b>	<b>Maturity Date</b>	<b>Amount Invested £000</b>	<b>Interest Rate %</b>	<b>Carrying Amount £000</b>	<b>Impairment £000</b>
22/07/08	17/10/08	1,200	5.82	954	9
01/09/08	14/11/08	1,500	5.70	1,189	11
08/09/08	18/11/09	1,000	5.67	1,036	8
		<u>3,700</u>		<u>3,179</u>	<u>28</u>

The carrying amounts have been calculated using the present value of the expected repayments, discounted using the investment's origins rate. The expected repayments (in December of each year) have been estimated as follows, based on the statements made by the administrator :-

<b>2011 £000</b>	<b>2012 £000</b>	<b>2013 £000</b>	<b>2014 £000</b>	<b>2015 £000</b>	<b>2016 £000</b>	<b>2017 £000</b>	<b>2018 £000</b>	<b>Total £000</b>
817	309	291	275	260	245	232	480	2,909

**29. CASH AND CASH EQUIVALENTS**

	<b>2011</b>		<b>2010</b>		<b>1st April 2009</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current Assets</b>						
Temporary investments (call accounts)		22,500		11,000		8,600
Cash and cash equivalents	22,074		25,441		27,551	
Cash overdrawn	(4,592)		(7,477)		(8,356)	
		<u>17,482</u>		<u>17,964</u>		<u>19,195</u>
		<u>39,982</u>		<u>28,964</u>		<u>27,795</u>

**30. ASSETS HELD FOR SALE**

The Council has newly classified a net total of £1,170k of its property assets as 'held for sale' (£8,438k in 2009/10); the 2010/11 total includes Right to Buy (RTB) properties for the first time. There has been no in-year reversals of previous impairment losses (£660k in 2009/10), and assets sold amounted to £1,150k (£381k in 2009/10), producing a final balance as at 31st March 2011 of £9,493k (£9,473k in 2009/10).

	<b>2011 £000</b>	<b>2010 £000</b>
<b>Balance outstanding at 1st April</b>	9,473	756
Assets newly classified as held for sale:	1,170	8,438
Reversal of impairment losses	0	660
Assets sold	(1,150)	(381)
<b>Balance outstanding at 31st March</b>	<u>9,493</u>	<u>9,473</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**31. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS**

The balance sheet total of £5,803k reflects the value of accrued interest on long term external borrowing of £1,141k (£1,330k in 2009/10 and £1,329k as at 1st April 2009) together with an Invest to Save loan repayable in 2011/12, and an 'inter company' loan which records the purchase price of AD Waste – this value will remain on the balance sheet until the company is finally liquidated.

	2011	2010	1st April 2009
	£000	£000	£000
Accrued interest on long term external borrowing	1,141	1,330	1,329
Invest to Save loan (from WAG)	131	0	0
AD Waste - inter company loan	4,531	0	0
	<u>5,803</u>	<u>1,330</u>	<u>1,329</u>

**32. SHORT TERM CREDITORS**

	2011		2010		1st April 2009	
	£000	£000	£000	£000	£000	£000
Government departments	2,512		2,072		2,740	
Other creditors	<u>28,292</u>		<u>24,588</u>		<u>25,313</u>	
		30,804		26,660		28,053
<b>Payments received in advance</b>						
Housing rents	184		167		151	
Local taxation	732		737		717	
Other	<u>3,593</u>		<u>3,431</u>		<u>3,849</u>	
		4,509		4,335		4,717
		<u>35,313</u>		<u>30,995</u>		<u>32,770</u>

**33. LONG TERM BORROWING**

		2011	2010	1st April 2009
		£000	£000	£000
<b>Balance Sheet Analysis</b>				
External borrowing		<u>173,744</u>	<u>173,613</u>	<u>173,613</u>
		<u>173,744</u>	<u>173,613</u>	<u>173,613</u>
	<b>Interest Rates</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
<b>External Borrowing Analysis</b>	<b>Minimum % Maximum %</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>By Type of Loan (Fixed Rate)</b>				
Wales Government	Interest Free	131	0	0
Government (PWLb)	0.76 9.50	154,663	154,663	154,663
Other financial institutions	4.48 4.58	18,950	18,950	18,950
		<u>173,744</u>	<u>173,613</u>	<u>173,613</u>
<b>By Maturity</b>				
Between 1 and 2 years		1,631	0	0
Between 2 and 5 years		0	1,500	1,500
Between 5 and 10 years		11,600	1,600	1,600
More than 10 years		160,513	170,513	170,513
		<u>173,744</u>	<u>173,613</u>	<u>173,613</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**34. PROVISIONS****Non-Current Provisions**

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total of £4,944k incorporates the following balances :-

	2011	Movement Out	Movement In	2010	1st April 2009
	£000	£000	£000	£000	£000
Claims (staff)	40	0	0	40	40
North Wales Safety Camera Partnership	1	(31)	0	32	31
Unequal pay back pay	4,903	0	0	4,903	0
	<u>4,944</u>	<u>(31)</u>	<u>0</u>	<u>4,975</u>	<u>71</u>

- The staff claims provision covers the anticipated costs of various staff claims against the Council; no immediate calls against the provision are expected.
- The North Wales Safety Camera Partnership provision provides cover for compensation to drivers who have been wrongly fined for speeding in a designated area when it was not correctly marked as a 30 m.p.h. zone. The timing and certainty of obligations depends entirely upon those motorists who haven't already submitted claims, proceeding to do so.
- The unequal pay back pay provision provides cover for potential equal pay claims should liability be determined, and is required to be disclosed for reasons of prudence and Code compliance. The unequal pay back pay account included in the balance sheet on page 35 is used to hold an amount equal to back pay which has been deferred from being charged to the Council fund under the Local Authority (Capital Finance and Accounting) (Wales) Regulations.

**Current Provisions – Accumulated Absences**

The provision for accumulated absences in 2010/11 is £3,598k (£2,810k in 2009/10 and £3,762k as at 1 April 2009).

	2011	Movement Out	Movement In	2010	1st April 2009
	£000	£000	£000	£000	£000
Accumulated absences	3,598	0	788	2,810	3,762
	<u>3,598</u>	<u>0</u>	<u>788</u>	<u>2,810</u>	<u>3,762</u>

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**34. PROVISIONS (continued)****Current Provisions - Provision for Impairment Losses (Bad Debts)**

Amounts due to the Council have been reduced by estimated provisions for impairment losses.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Housing rents	435	492
Council tax	830	954
Other debtors	1,304	1,496
	<u>2,569</u>	<u>2,942</u>

**35. DEFERRED LIABILITIES**

	<b>2011</b>	<b>2010</b>	<b>1st April</b>
	<b>£000</b>	<b>£000</b>	<b>2009</b>
			<b>£000</b>
Non-current finance leases	641	717	873
AD Waste Limited	1,025	1,025	0
	<u>1,666</u>	<u>1,742</u>	<u>873</u>

A finance lease total of £641k is due to be paid beyond 2011/12 (£717k in 2009/10 and £873k at 1st April 2009) as part of the minimum lease payments due as disclosed in note 15 on page 59. The AD Waste Limited liability £1,025k (£1,025k also in 2009/10) in respect of the environmental aftercare of former waste disposal sites, remains on the balance sheet until the company is finally liquidated during 2011/12.

**36. USABLE RESERVES**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 9.

**Capital Receipts Reserve**

The capital receipts reserve contains receipts from the sale of assets which have yet to be used to finance capital or to repay debt.

**Capital Grants Unapplied**

Capital grants unapplied are amounts received but not yet applied to finance capital expenditure.

**Specific Capital Reserves**

The specific capital reserve records the value of agreed (but unused) 2010/11 HRA revenue funding for capital expenditure purposes – the related programme expenditure has slipped into 2011/12.

**Council Fund**

The Council fund revenue reserves total £34,111k (£27,246k in 2009/10 and £27,581k at 1st April 2009) includes unearmarked balances of £5,962k (£6,277k in 2009/10 and £7,257k at 1st April 2009), earmarked balances of £5,795k (£2,876k in 2009/10 and £5,144k at 1st April 2009), the single status/unequal pay balance of £20,380k (£16,643k in 2009/10 and £12,677k at 1st April 2009), and the surpluses generated by locally managed schools of £1,974k (£1,450k in 2009/10 and £2,503k at 1st April 2009). The schools balances are not available for general county purposes.

**Specific Revenue Reserves**

Specific revenue reserves include those for supporting people, waste disposal, and insurance funds.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**36. USABLE RESERVES (continued)**

	2011		2010		1st April 2009	
	£000	£000	£000	£000	£000	£000
<b>Reserves</b>						
Unearmarked	5,962		6,277		7,257	
Earmarked (service balances)	5,795		2,876		5,144	
Single status/unequal pay	20,380		16,643		12,677	
Schools	1,974		1,450		2,503	
		34,111		27,246		27,581
<b>Specific Reserves</b>						
Supporting people	1,209		1,026		474	
Waste disposal	895		894		1,363	
Insurance funds	1,233		1,453		1,437	
Other	895		732		373	
		4,232		4,105		3,647
		38,343		31,351		31,228

**Housing Revenue Account**

The housing revenue account reserve surplus of £1,614k (£1,492k in 2009/10) reflects the 2010/11 HRA surplus of £122k (£575k in 2009/10), as detailed on page 87.

**37. UNUSABLE RESERVES**

The details of movements on unusable reserves are as follows –

	2011	2010	1st April 2009
	£000	£000	£000
<b>Reserves</b>			
Revaluation reserve	210,034	112,792	44,082
Available-for-sale financial instruments reserve	254	240	306
Capital adjustment account	606,372	621,383	807,631
Financial instruments adjustment account	(9,679)	(11,131)	(11,394)
Pensions reserve	(203,303)	(248,930)	(180,704)
Unequal back pay account	(4,903)	(4,903)	-
Deferred capital receipts	16	33	57
Accumulated absences account	(3,598)	(2,810)	(3,762)
<b>Total Unusable Reserves</b>	<b>595,193</b>	<b>466,674</b>	<b>656,216</b>

**Revaluation Reserve**

The revaluation reserve contains the gain made by the Authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

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

The revaluation reserve records unrealised revaluation gains arising since 1st April 2007, the date that the Reserve was created. The reserve is matched by non-current assets within the balance sheet - the resources are not available for financing purposes.



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES (continued)**

	2011		2010	
	£000	£000	£000	£000
Balance at 1st April		112,792		44,082
Upward revaluation of assets	98,673		74,887	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(1,431)</u>		<u>(2,974)</u>	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		97,242		71,913
Difference between fair value depreciation and historical cost depreciation			(3,203)	
Accumulated gains on assets sold or scrapped	<u>0</u>		<u>0</u>	
Amount written off to the capital adjustment account		0		(3,203)
Balance at 31st March		<u>210,034</u>		<u>112,792</u>

**Available-for-Sale Financial Instruments Reserve**

The available-for-sale financial instruments reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. The reserve is matched by borrowings and investments within the balance sheet - the resources are not available for financing purposes.

	2011		2010	
	£000	£000	£000	£000
Balance at 1st April		240		306
Upward revaluation of investments	14		0	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	<u>0</u>		<u>(66)</u>	
		<u>14</u>		<u>(66)</u>
Balance at 31st March		<u>254</u>		<u>240</u>

**Capital Adjustment Account**

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

The account contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES (continued)**

Note 9 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2011		2010	
	£000	£000	£000	£000
Balance at 1st April		621,383		807,631
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(34,039)		(217,040)	
- Amortisation of intangible assets	(65)		(64)	
- Revenue expenditure funded from capital under statute	(7,597)		(4,126)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(2,104)		(1,409)	
		(43,805)		(222,639)
Long term debtors adjustments		1,020		483
Adjusting amounts written out of the revaluation reserve		0		3,203
Net written out amount of the cost of non-current assets consumed in the year		(42,785)		(218,953)
Capital financing applied in the year:				
- Use of the capital receipts reserve	615		612	
- Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	17,782		14,521	
- Application of grants to capital financing from the capital grants unapplied account			7,130	
- Statutory provision for the financing of capital investment charged against the council fund and HRA balances	6,315		7,030	
- Capital expenditure charged against the council fund and HRA balances	3,296		1,036	
		28,008		30,329
Movements in the market value of investment properties debited or credited to the Comprehensive income and expenditure statement	(234)		2,376	
		(234)		2,376
Balance at 31st March		606,372		621,383

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES (continued)****Financial Instruments Adjustment Account**

The financial instruments adjustment account (FIAA) provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early payment of debt) are recognised under the Code and are required by statute to be met from the Council fund. Again, the reserve is matched by borrowings and investments within the balance sheet, and the resources are not available for financing purposes.

	2011	2010
	£000	£000
Balance at 1st April		(11,394)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	(87)	-
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	613	613
Impaired investment transfers - Landsbanki	<u>926</u>	<u>(350)</u>
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	<u>1,452</u>	<u>263</u>
Balance at 31st March	<u>(9,679)</u>	<u>(11,131)</u>

Regulations issued in March 2009 allowed the Council to defer charging amounts relating to its impaired investments in Landsbanki (see also page 45). The Council took advantage of the regulations, and transferred £926k to the FIAA during the period 2008/09 – 2010/11; the FIAA records the timing differences between charging these amounts to the Council Fund in accordance with proper practice, and in accordance with the regulations. Under the regulations, the Council is required to transfer the balance on the FIAA to the Council fund by no later than 31st March 2011, and must also credit the FIAA with interest earned until such time as the balance has been transferred to the Council fund; the transfer was made during 2010/11.

**Pensions Reserve**

The pensions reserve is an adjustment account that absorbs the timing differences arising from different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement - the benefits are earned by employees accruing years of service. The liabilities recognised in the accounts are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require those benefits earned to be financed as and when the Authority makes the employer's contributions to the pension fund, or eventually pays any pensions for which it has direct responsibility. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES (continued)**

The actuarial gains and losses identified as movements on the pensions reserve in 2010/11 are as detailed in note 5 on pages 47 to 51 :-

	2011	2010	1st April 2009
	£000	£000	£000
<b>Statement of Actuarial (Gains) and Losses -</b>			
Asset (gain)/loss	6,281	(66,913)	96,343
Liability (gain)/loss	(22,010)	133,034	(104,007)
<b>Net (Gain)/Loss</b>	<u>(15,729)</u>	<u>66,121</u>	<u>(7,664)</u>

**Unequal Back Pay Account**

The unequal back pay account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to equal pay cases and the ability under statutory provisions to defer the impact on the council fund balance until such time as cash might be paid out to claimants.

	2011	2010
	£000	£000
Balance at 1st April	4,903	0
Increase in provision for back pay in relation to equal pay cases	0	4,903
Cash settlements paid in the year	<u>0</u>	<u>0</u>
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<u>0</u>	<u>4,903</u>
Balance at 31st March	<u>4,903</u>	<u>4,903</u>

**Deferred Capital Receipts**

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. The reserve holds the gain recognised on the disposal of non-current assets but for which cash settlement has yet to take place. They arise from mortgages on sales of council houses.

Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

	2011	2010	1st April 2009
	£000	£000	£000
Council houses	<u>16</u>	<u>33</u>	<u>57</u>
	<u>16</u>	<u>33</u>	<u>57</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES (continued)****Accumulated Absences Account**

The accumulated absences account absorbs the differences that would otherwise arise on the council fund balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the council fund balance is neutralised by transfer to or from the account.

	2011		2010	
	£000	£000	£000	£000
Balance at 1st April		(2,810)		(3,762)
Settlement or cancellation of accrual made at the end of the preceding year	2,810		3,762	
Amounts accrued at the end of the current year	<u>(3,598)</u>		<u>(2,810)</u>	
Amount by which officer remuneration charged to the comprehensive income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<u>(788)</u>		<u>952</u>
Balance at 31st March		<u>(3,598)</u>		<u>(2,810)</u>

**Clwyd Theatr Cymru**

The theatre is owned and operated by Flintshire County Council in exercise of its functions under, inter alia, Section 145 of the Local Government Act 1972.

It is managed under a scheme of delegation by which Flintshire County Council provides for the governance of the theatre and the discharge of all of the Council's functions, powers and duties in connection therewith. Under the scheme of delegation, the Council now delegates to and vests in its Chief Executive all of its functions, powers and duties in relation to the theatre. The Director of the theatre is responsible to the board of governors for ensuring that all departmental expenditure is kept within approved budgets. The Chief Executive is required to report to the Executive on the theatre's operations and finances, including the current surplus/deficit carry forward position and actions being taken to address this. In the year 2010/11 the theatre made an operating surplus of £5k (£1k surplus in 2009/10).

In the event of the theatre's demise, responsibility for any outstanding deficits and/or other net closure costs would fall on Flintshire County Council.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 38. FINANCIAL INSTRUMENTS

Financial instruments included in the balance sheet are made up of the following financial liabilities and assets:

	Long-Term			Current		
	2011	2010	1st April 2009	2011	2010	1st April 2009
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost	173,744	173,613	173,613	1,141	1,330	1,329
Payables	0	0	0	29,922	25,627	27,035
<b>Total financial liabilities</b>	<b>173,744</b>	<b>173,613</b>	<b>173,613</b>	<b>31,063</b>	<b>26,957</b>	<b>28,364</b>
Loans	304	0	0	10,410	6,947	7,889
Receivables	2,002	0	6,448	18,762	13,577	16,302
Available-for-sale financial assets	626	612	675	0	0	0
<b>Total financial assets</b>	<b>2,932</b>	<b>612</b>	<b>7,123</b>	<b>29,172</b>	<b>20,524</b>	<b>24,191</b>

The balance sheet value of trade payables and other payables amounted to £29,922k (£25,627k in 2009/10 and £27,035k at 1 April 2009) as disclosed above, and trade receivables amounted to £18,762k (£13,577k in 2009/10 and £16,302k at 1 April 2009).

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2011				2010			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Total	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	(9,443)	0	0	(9,443)	(10,060)	0	0	(10,060)
Impairment losses	0	135	0	135	0	(351)	0	(351)
<b>Interest payable and similar charges</b>	<b>(9,443)</b>	<b>135</b>	<b>0</b>	<b>(9,308)</b>	<b>(10,060)</b>	<b>(351)</b>	<b>0</b>	<b>(10,411)</b>
Interest income	0	535	0	535	0	755	0	755
<b>Interest and investment income</b>	<b>0</b>	<b>535</b>	<b>0</b>	<b>535</b>	<b>0</b>	<b>755</b>	<b>0</b>	<b>755</b>
Gain on revaluation			0				4	
<b>Deficit arising on revaluation of financial assets</b>			<b>0</b>				<b>4</b>	
Net gain/(loss)for the year	(9,443)	670	0		(10,060)	404	4	

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 38. FINANCIAL INSTRUMENTS (continued)

## Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (in line with the 2010 method). The 2011 borrowing figure for Public Works Loans Board (PWLB) loans has been calculated by reference to the 'premature repayment' set of rates in force on 31st March 2011 (in line with the 2010 method).

The 2011 Lender Option Borrower Option loans (LOBOs) figure has been calculated in the same way as PWLB, less a 0.65% margin for the value of six monthly options to the lender (again in line with the 2010 method).

The fair value of shares and war stock are calculated using the value of undated gilts as published for 31st March 2011.

The fair value of trade and other receivables is taken to be the invoiced or billed amount, and no early repayment or impairment is recognised.

The fair values are calculated as follows:

	2011		2010		1st April 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
<b>Financial Liabilities</b>						
PWLB	155,576	193,686	155,766	188,975	155,766	198,169
LOBOs	19,177	22,647	19,176	21,994	19,176	17,923
	<u>174,753</u>	<u>216,333</u>	<u>174,942</u>	<u>210,969</u>	<u>174,942</u>	<u>216,092</u>

The PWLB fair value is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans. The same is the case for LOBOs, with the interest rates higher than the PWLB rates available at the balance sheet date, resulting in a higher fair value.

	2011		2010		1st April 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
<b>Loans and Receivables</b>						
War stock	13	13	12	12	14	14
Shares	613	613	600	600	661	661
Long term investments	2,002	2,002	0	0	6,448	6,448
	<u>2,628</u>	<u>2,628</u>	<u>612</u>	<u>612</u>	<u>7,123</u>	<u>7,123</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

### 38. FINANCIAL INSTRUMENTS (continued)

#### Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Council manages its Treasury Management risk by adoption of the CIPFA Treasury Management in the Public Services - Code of Practice 2009, the Prudential Code for Capital Finance in Local Authorities, and an Annual Investment Strategy as issued by the National Assembly for Wales under section 15 (1) (a) of the Local Government Act 2003. The Authority must prepare (as a minimum) a Policy and Strategy Statement (a mid-year report) and an annual outturn report for submission to Executive, in accordance with Financial Procedure Rules. The National Assembly for Wales also requires investment limits on specified (investments offering high security and liquidity), non-specified investments (investments with greater potential risk) and investments committed for more than one year. In addition, key prudential indicators must be set and Treasury Management Practices documented. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

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

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

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

#### Risk - Liabilities

The Council has raised long term finance by either borrowing from the PWLB or the market via LOBOs.

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; currently 6% of PWLB debt is variable rate, reducing the interest rate risk but increasing budget uncertainty. There is an option in the Treasury Management Policy Statement to have 35% variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 10% of debt to reach maturity in any one year.



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**38. FINANCIAL INSTRUMENTS (continued)**

- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to 35% of long term borrowing.

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in debt costs of £231k. If rates were to fall by 1%, costs would decrease by £79k.

**Risk - Loans and Receivables****Long Term Investments -**

- Investments of more than 1 year or with non-rated building societies with a minimum asset size of £1bn are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £20m for long term investments and additional procedures for authorisation by the Head of Finance.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies and only investing in highly rated banks or building societies with assets of more than £1bn. The criteria is shown in the table below :-

	FITCH		MOODY'S		STANDARD & POORS	
Rating Type	UK & Overseas Banks	Building Societies	UK & Overseas Banks	Building Societies	UK & Overseas Banks	Building Societies
Short Term	F1	F2	P1	P2	A-1	A-2
Long Term	A	A-	A2	A3	A	A-

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £585k. If rates fell by 1%, there would be a loss of income for the same amount.

The Council has £3,700k deposited in the Icelandic bank Landsbanki, which collapsed in October 2008. Information currently available indicates that the invested sum will not be fully repaid.

**Bonds -**

Investments in bonds have limited credit risk because they are government backed but the market will fluctuate based on current interest rates thus changing the fair value.

**Shares -**

The Council's shareholding in 2009/10 and 2010/11 related to AD Waste Limited; there is no longer a credit risk involved as the company came in house during 2010/11.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

continued

**38. FINANCIAL INSTRUMENTS (continued)****Other Receivables -**

Customers are required to make arrangements to pay outstanding monies due to the Council, based on their ability to pay. Customers are requested to complete a financial assessment form and are required to confirm in writing the amount agreed and the start date of the arrangement, and to make the Council fully aware of any circumstances surrounding their ability to pay which they wish to be taken into account in making the assessment.

**39. FOUNDATION SCHOOLS**

The Schools Standards and Framework Act 1998 changed the status of grant maintained schools to foundation schools maintained by the local education authority. The change for funding purposes took effect from 1st April 1999, resulting in the inclusion of the current assets and liabilities controlled by Flintshire's only foundation school (Derwen Primary, Higher Kinnerton) in the balance sheet. Fixed assets and long term liabilities remain vested in the governing body of the school and therefore values and amounts have not been consolidated in the balance sheet.

**40. RELATED COMPANIES**

Related companies information is included within the notes to the group accounts on page 91.

**41. OTHER FUNDS ADMINISTERED BY THE AUTHORITY**

The County Council administers 33 education trust funds, each consisting of relatively small sums of money received from individuals and invested in order to provide an annual income for prizes etc. The total fund balance at 31st March 2011 was £280,453 (£283,059 in 2009/10), which is not reflected in the balance sheet. The administration of eight funds was transferred to their associated schools during 2010/11; the remaining funds are under review.

The Council also administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2011 was £137,447 (£152,697 in 2009/10), and is not included in the balance sheet.

The Council is responsible for the management and maintenance of St. Margaret's Cemetery, Rhewl. This registered charity has three bank accounts with a total current value of £357 (also £357 in 2009/10). The bank accounts are not shown in the balance sheet.

Flintshire County Council acts as lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham. Income received from investments, net of central management expenses, is apportioned to each authority to be used to give grants which accord with the stated objectives. At 31st March 2011 the fund balance was £577,867 (£574,794 in 2009/10), Flintshire having an unused income balance of £3,383 (£413 in 2009/10). These figures are not reflected in the balance sheet.

The Community Services Directorate - Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to cope with their financial affairs due to their mental incapacity; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31st March 2011 was £2,246k in 295 separate accounts (£1,880k in 264 accounts in 2009/10).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

continued

**42. CONTINGENT LIABILITY**

The Council is reconsidering its legal position in relation to a number of unequal pay claims registered in the Employment Tribunal as a result of judgments involving other authorities including Sheffield and Birmingham, and whilst it is too early to determine what that position is likely to be, an offer has been made to relevant trade unions to discuss the potential for settling the claims; the settlement costs will be made from the single status/unequal pay reserve. There are a number of other claims against the Council, some of which are expected to proceed through the courts and tribunals; but with one exception, adverse decisions are not anticipated at this stage.

**43. CONTINGENT ASSET**

The Council continues to pursue from HM Revenue and Customs, refunds of VAT following the House of Lords decisions in the cases of Fleming (trading as Bodycraft) and Conde Nast Publications Ltd. In 1996, the time limit for claiming overpaid VAT was reduced to three years; the absence of transitional arrangements was held in 2008 to breach Community law and the three year cap was disapplied. The individual claims relate to various periods between April 1973 and December 1996. Following the Court of Appeal judgment in the Compass Contract Services case of 2006 and subject to the current High Court Littlewoods case, the Council will pursue appeals to the Tax Tribunal and/or in the High Court for compound interest where repayment to date has been made with the addition of simple interest only.

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

for the year ended 31st March 2011

	2011		2010	
	£000	£000	£000	£000
<b>Expenditure</b>				
Repairs and maintenance		9,124		7,783
Management and supervision		2,693		2,634
Rents, rates, taxes and other charges		816		1,377
Housing revenue account subsidy payable		6,391		6,448
Depreciation and impairment of non-current assets		6,873		89,424
Debt management costs		16		11
Increase in bad debt provision		166		142
<b>Total expenditure</b>		<b>26,079</b>		<b>107,819</b>
<b>Income</b>				
Dwelling rents (gross)	23,179		22,790	
Non-dwelling rents (gross)	279		277	
		23,458		23,067
Charges for services and facilities		600		609
<b>Total income</b>		<b>24,058</b>		<b>23,676</b>
<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>2,021</b>		<b>84,143</b>
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		142		151
<b>Net cost of HRA services</b>		<b>2,163</b>		<b>84,294</b>
Interest payable and similar charges		1,509		1,596
Net loss on sale of HRA assets		465		0
HRA investment income		(8)		(15)
Pensions interest cost and expected return on pension assets		469		633
<b>Total (surplus)/deficit for the year on HRA Services</b>		<b>4,598</b>		<b>86,508</b>

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

for the year ended 31st March 2011

This statement shows how the surplus/deficit on the Housing Revenue Account Income and Expenditure Statement for the year reconciles to the surplus/deficit for the year on the Statutory Housing Revenue Account.

	<b>Note (from core notes)</b>	<b>2011 £000</b>	<b>2010 £000</b>
At 1st April		1,492	917
Surplus/(deficit) on the provision of services		(4,598)	(86,508)
Other comprehensive income and expenditure		0	0
<b>Total comprehensive income and expenditure</b>		<b>(4,598)</b>	<b>(86,508)</b>
Adjustments between accounting and funding basis under regulations	<b>9</b>	4,720	87,083
<b>Net increase/(decrease) before transfer to earmarked reserves</b>		<b>122</b>	<b>575</b>
Transfers to/(from) earmarked reserves		0	-
<b>Increase/(decrease) in year</b>		<b>122</b>	<b>575</b>
At 31st March		<u>1,614</u>	<u>1,492</u>

\* The 2010/11 balance carried forward total includes a ringfenced surplus of £128k relating to the tenants' communal heating scheme (£41k surplus in 2009/10).

**NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE  
STATEMENT**

for the year ended 31st March 2011

### 1. LEGISLATION

The housing revenue account, in accordance with the Local Government and Housing Act 1989, reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, rent rebates, administration - and capital financing costs, and how these are met by rents, subsidy and other income.

### 2. HOUSING STOCK

The type and number of dwellings at 31st March 2011 were :-

<b>Type</b>	<b>2011 No.</b>	<b>2010 No.</b>
Houses	4,089	4,098
Flats	1,377	1,377
Maisonettes	199	199
Bungalows	1,796	1,796
	<u>7,461</u>	<u>7,470</u>

### 3. RENT ARREARS

<b>Analysis of arrears</b>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Rents</b>		
Current tenants	802	737
Former tenants	177	255
	<u>979</u>	<u>992</u>
<b>Provision for impairment losses (bad debts)</b>	<b>£000</b>	<b>£000</b>
Opening provision	599	508
Written off in year	(284)	(51)
Increase in provision	166	142
	<u>481</u>	<u>599</u>

The rents total of £979k (£992k in 2009/10) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

**NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

continued

#### 4. NON-CURRENT ASSET ACCOUNTING

##### Capital Financing

Housing revenue account capital expenditure of £8,205k (£6,020k in 2009/10) was financed as follows :-

	<b>Capital Receipts</b>	<b>Capital Grants &amp; Contributions</b>	<b>Revenue Contributions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital financing	184	5,580	2,441	8,205
	<u>184</u>	<u>5,580</u>	<u>2,441</u>	<u>8,205</u>

##### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,580k) is the 2010/11 MRA allocation figure of £5,200k (also £5,200k in 2009/10). The MRA allocation figure is included within the government grants – general line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2010/11 in financing qualifying capital expenditure.

##### Capital Receipts

Gross capital receipts of £1,287k (£1,494k in 2009/10) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Council dwellings	585	514
Mortgages	17	24
Land sales	685	956
	<u>1,287</u>	<u>1,494</u>

##### Depreciation

Straight line depreciation is provided for on all housing revenue account non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,208k (£5,219k in 2009/10) is based on the 2010/11 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Dwellings	5,200	5,200 (equating to the value of MRA)
Garages	0	8
Plant and equipment	8	11
	<u>5,208</u>	<u>5,219</u>

##### Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA dwellings impairment adjustment total of £1,604k was accounted for in 2010/11 (£59,744k in 2009/10). There was no revenue expenditure funded from capital under statute in 2010/11 (as in 2009/10).

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

for the year ended 31st March 2011

		2011			2010		
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
<b>Service Expenditure Analysis</b>	<b>1</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adult social care		58,969	16,737	42,232	56,020	16,414	39,606
Central services to the public		2,953	1,569	1,384	3,569	1,754	1,815
Education and children's services		158,369	24,768	133,601	236,470	26,009	210,461
Cultural, environmental, regulatory and planning services	<b>2</b>	64,999	24,768	40,231	70,512	17,644	52,868
Highways and transport services		27,094	8,677	18,417	24,782	9,083	15,699
Housing services :							
Housing - Council fund		54,840	49,658	5,182	51,397	48,382	3,015
Housing revenue account (HRA)		26,079	24,058	2,021	107,819	23,676	84,143
Corporate and democratic core		2,350	16	2,334	1,756	16	1,740
Non distributed costs		(35,656)	0	(35,656)	6,837	0	6,837
Write down of plant and equipment costs		0	0	0	3,871	0	3,871
<b>Net cost of services</b>		<b>359,997</b>	<b>150,251</b>	<b>209,746</b>	<b>563,033</b>	<b>142,978</b>	<b>420,055</b>
<b>Other Operating Expenditure</b>							
Net gain on the disposal of non-current assets				(323)			(648)
Levy - North Wales Fire and Rescue Authority				7,119			6,973
Precept - North Wales Police Authority				12,186			11,793
Other preceptors - community councils				2,119			2,040
<b>Total Other Operating Expenditure</b>				<b>21,101</b>			<b>20,158</b>
<b>Financing and Investment Income and Expenditure</b>							
Interest payable and similar charges				9,458			10,117
Investment losses and investment expenditure				5,326			8,605
Interest and investment income				(6,198)			(8,009)
Pensions interest cost				32,897			30,299
Expected return on pensions assets				(22,906)			(17,024)
Taxation of group entities				16			55
<b>Total Financing and Investment Income and Expenditure</b>				<b>18,593</b>			<b>24,043</b>
<b>Net operating expenditure</b>				<b>249,440</b>			<b>464,256</b>
<b>Taxation and Non-Specific Grant Income</b>							
Council tax income				(67,384)			(65,151)
Distribution from non-domestic rate pool				(42,236)			(40,437)
Grants - revenue (general) and capital (all)				(166,838)			(161,621)
<b>Total Taxation and Non-Specific Grant Income</b>				<b>(276,458)</b>			<b>(267,209)</b>
<b>(Surplus)/deficit on the provision of services</b>				<b>(27,018)</b>			<b>197,047</b>
(Surplus)/deficit arising on revaluation of non-current assets				(97,243)			(74,805)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(14)			66
Actuarial (gains) or losses on pension assets and liabilities				(15,729)			66,190
Other comprehensive income and expenditure				696			(320)
<b>Total comprehensive income or expenditure</b>				<b>(139,308)</b>			<b>188,178</b>



## NOTES TO THE GROUP ACCOUNTS

for the year ended 31st March 2011

### 1. SUBSIDIARY

During the year the Council had material interests in AD Waste Limited, which was consolidated as a subsidiary. It was an 'arms length' local authority waste disposal company (LAWDC), as permitted by the Local Government and Housing Act 1989 and Environmental Protection Act 1990.

AD Waste Limited was a subsidiary of the Council in that :

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

AD Waste Limited was vested during 1993/94. It was incorporated in 1991 as a private company, limited by shares. Shares were issued at 100 ordinary £1 shares and 654,900 preferred ordinary £1 shares (of which 300,000 were redeemed at par in 1995/96). Flintshire County Council was the sole shareholder. A comprehensive shareholders' agreement existed between the company and the Council, setting out all matters concerning dividend policy, conduct of company business and financial reporting.

For the 184 day period ended 1st October 2010, AD Waste's profit and loss account indicates an operating profit on discontinued operations of £139k (£241k profit for 2009/10 in total), and a balance sheet net assets total of £4,068k (£1,049k in 2009/10).

Copies of AD Waste Limited's accounts may be obtained from AD Waste Limited, 5/7 Grosvenor Court, Foregate Street, Chester, CH1 1HG.

### 2. INCOME AND EXPENDITURE

During the year the Council made payments of £3,642k to AD Waste Limited, chiefly in respect of tipping fees, landfill tax and management fees (£7,000k in 2009/10). Receipts from the company, chiefly in the form of royalties, dividends and pension fund contributions, amounted to £214k (£441k in 2009/10).

### 3. TRANSFER OF ACTIVITIES

On 29th October 2008 Flintshire County Council resolved to take the Company's activities in-house. The transfer of trade and assets of the company, at fair values, was effected on 30th September 2010.

### 4. OTHER SUBSIDIARIES

There are no other subsidiaries which have been excluded from consolidation.

**NOTES TO THE GROUP ACCOUNTS**

continued

**5. JOINT ARRANGEMENTS THAT ARE NOT ENTITIES (JANES)**

Flintshire County Council is currently involved in three JANE type arrangements (a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own), being :-

- North East Wales Community Equipment Service (NEWCES)
- North Wales Waste Treatment Project
- North Wales Procurement Partnership

The Council's share of the assets and liabilities of each JANE is considered to be not material for accounting/reporting purposes.

**CLWYD PENSION FUND ACCOUNTS**

for the year ended 31st March 2011

**THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND**

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. The administration and investment strategy of the Fund is considered and agreed each quarter by the Clwyd Pension Fund Panel, consisting of five elected Members, the Head of Finance, the Clwyd Pension Fund Manager, a consultant to the Fund, and a scheme member observer. The Fund's investment management arrangements were implemented by fifteen investment managers during 2010/11.

The Clwyd Pension Fund is a statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees, other than teachers, police and firefighters in North East Wales. In addition, other qualifying bodies which provide similar services to that of local authorities have been admitted to membership of the LGPS and hence the Fund.

The Clwyd Pension Fund operates a defined benefit scheme whereby retirement benefits are based on employees' final remuneration and length of service. The Fund was funded by variable percentage contributions from both employees and employers which take account of the relationship of assets to liabilities (see Note 16). The benefits of the scheme are prescribed nationally by Regulations made under the Superannuation Act 1972.

The membership of the Fund as at 31st March 2011 is shown below:-

	<b>2011</b>	<b>2010</b>
	<b>No.</b>	<b>No.</b>
Contributors	14,960	15,073
Pensioners :		
Ex employees	7,641	7,395
Widows/dependants	1,450	1,425
Preserved benefits	6,910	5,969
Total membership	30,961	29,862

The scheduled bodies which contributed to the Fund during 2010/11 are :-

Counties : Flintshire, Denbighshire, Wrexham.  
 Colleges : Glyndwr University, Deeside College, Llysfasi College, Yale College of Wrexham.  
 Councils : Argoed, Coedpoeth, Connah's Quay, Hawarden, Rhosllanerchrugog, Buckley, Prestatyn, Offa, Mold, Caia Park, Rhyl, Shotton, Llanasa.  
 Other: Yale Enterprise Ltd, North Wales Probation Board, North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are :-

Other: Careers Wales, AD Waste, Cartref y Dyffryn Ceiriog, Denbighshire Voluntary Services, Clwyd Leisure, Bodelwyddan Castle Trust.

The content of the accounts comply with accounting standards, but further information is available in the Clwyd Pension Fund Annual Report and Statement of Investment Principles which are presented each year to the Annual Joint Consultative Meeting.

## **CLWYD PENSION FUND ACCOUNTS STATEMENT OF ACCOUNTING POLICIES**

### **ACCOUNTING STANDARDS**

The accounts have been prepared to meet the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom – Based on International Financial Reporting Statements (IFRS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code of Practice complies in principle with the main recommendations of 'Financial Reports of Pension Schemes', issued by Pensions Research Accountants Group (PRAG), with some revisions in the disclosure requirements.

### **ACCOUNTING POLICIES**

The accounts have been prepared on an accruals basis with the exception of transfer values. The Pension Fund's financial statements provide information about the financial position and performance of the Fund. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. This is reported separately in the actuary's statement (Note 16). Investments are shown in the accounts at market value as at 31st March 2011 as detailed below :-

- UK and overseas listed securities are valued using the official bid prices quoted on the relevant stock exchange at close of business on 31st March 2011.
- Overseas securities are converted to sterling at an exchange rate quoted at close of business on 31st March 2011.
- Unit trusts are valued at the bid market price.
- Pooled investment vehicles are stated at the bid point of the latest prices quoted by their respective managers or Fund administrators at 31st March 2011. Where a bid price is not available the assets are priced at the Net Asset Value provided.
- Private equity investments are interests in limited partnerships which are valued based on the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective managers in accordance with FAS 157: Fair Value Measurements. Where these valuations are not the Fund's balance sheet date, the valuations have been adjusted having due regard to latest dealings, asset values and other financial information at the time of preparing these statements, in order to reflect our balance sheet date.
- Future contracts have been valued at the exchange price for closing out the contract at the year end date and this represents the unrealised profit or loss of the contract.

With effect from 1st April 1990 pension increases are charged to the Fund.

## CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2011

		2011		2010	
	Note	£000	£000	£000	£000
<b>Contributions and Benefits</b>					
Contributions receivable :					
From employers	1	51,433		50,713	
From employees or members	1	15,102		14,915	
Transfers in		9,801		6,774	
Other income		1,622		2,571	
			77,958		74,973
Benefits payable :					
Pensions	1	39,479		37,637	
Lump sums (retirement)	1	11,808		11,444	
Lump sums (death grants)	1	1,123		897	
Payments to and on account of leavers :					
Refunds of contributions		10		18	
Transfers out (individual)		4,690		4,869	
Other		113		179	
Administrative and other expenses borne by the scheme	2	1,262		1,280	
			58,485		56,324
<b>NET ADDITIONS (WITHDRAWALS)</b>			19,473		18,649
<b>Returns on Investments</b>					
Investment income	4	2,898		2,466	
Change in market value of investments	4	78,842		241,627	
Investment management expenses	2	(5,080)		(4,321)	
<b>NET RETURNS ON INVESTMENT</b>			76,660		239,772
<b>NET (DECREASE)/INCREASE IN THE FUND</b>			96,133		258,421
<b>OPENING NET ASSETS OF THE SCHEME</b>			955,833		697,412
<b>CLOSING NET ASSETS OF THE SCHEME</b>			1,051,966		955,833
<b>Net Assets Statement</b>					
<b>Investment Assets :</b>					
	5				
Managed fixed interest fund			123,024		111,825
Managed equity funds			513,067		556,765
Property funds			77,557		63,197
Private equity funds			148,511		123,096
Pooled vehicles			90,460		95,368
Futures contracts	6		665		0
Other investment assets	9		1,218		0
Cash	7		97,373		2,944
<b>Investment Liabilities :</b>					
Futures contracts	6		(169)		0
Other investment liabilities	9		(1,195)		0
<b>Current assets</b>	8		4,516		4,380
<b>Current liabilities</b>	8		(3,061)		(1,742)
<b>NET ASSETS AT 31ST MARCH</b>			1,051,966		955,833

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2011

### 1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of pensionable employees. The total contributions received from employers during 2010/11 amounted to £51.433m (£50.713m in 2009/10). This comprised an amount of £29.823m (£29.426m in 2009/10) relating to the common contribution rate of 12.5% paid by all employers and £21.610m (£21.287m in 2009/10) relating to the individual adjusted rates and additional contributions paid in respect of deficit funding for individual employers.

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year.

Analysis of contributions received and benefits paid is shown below :-

	<b>Benefits Payable</b>	<b>Contributions Receivable</b>
<b>Scheduled Bodies -</b>	<b>£000</b>	<b>£000</b>
Flintshire County Council	17,741	22,550
Wrexham County Borough Council	16,928	20,026
Denbighshire County Council	10,767	16,018
Fund apportionment with :		
Gwynedd and Powys County Councils	2,474	0
North Wales Probation	1,208	1,527
Colleges	2,134	4,102
Community Councils	162	194
Others - scheduled bodies	602	1,233
Others - admitted bodies	394	885
	52,410	66,535

The above merely reflects the figures in the accounts. The circumstances pertaining to each of the bodies listed is different for a variety of reasons (contribution and pensioner profiles, employees' contribution rates, early retirement experience etc.) and direct comparisons, therefore, are largely meaningless.

### 2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

The regulations permit the County Council to charge the cost of administering the scheme to the Fund. The external managers' fees have been accounted for on the basis contained within their management agreement.

The cost of pensions administration and investment management is shown below :-

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Investment management fees	5,080	4,321
Administration	1,262	1,280
	6,342	5,601

**NOTES TO THE CLWYD PENSION FUND ACCOUNTS**

continued

**2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES (continued)**

Investment management fees are based on valuations of the investments. The Fund is invested in pooled vehicles of which the majority of fees are charged within the Funds. In order to be transparent, the Fund discloses these fees. The fees included in the Pooled Vehicles amounted to £3.9m during the year (note 4).

**3. INVESTMENTS AND PERFORMANCE**

Further details on the investment strategy are available in the Statement of Investment Principles which can be obtained from the Head of Finance, County Hall, Mold, CH7 6NA (Web site [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk) or Telephone 01352 702264).

The County Council uses the investment performance services of the WM Company. Their report for the financial year 2010/11 showed that the Fund achieved an overall return of +7.8% from its investments (+33.3% in 2009/10). This compares with the Fund's benchmark return of +6.2% for the year.

The Fund undertook a review of fund management arrangements in 2010/11. The impact of the changes, largely made in March 2011, explain the differences in transactions and values between 2009/10 and 2010/11. The major transactions are outlined in note 10 although other changes include:

- Changes to asset allocation and investment mandates (note 5)
- An increase in purchases and sales as a result of the transition (note 4)
- An increase in cash balances as at 31st March 2011 (note 7)

**4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS**

Details of the 2010/11 investment transactions and the net profit on sales of £44.275m (£11.192m in 2009/10) together with investment income of £2.898m (£2.466m in 2009/10) are shown in the following table. Since the Fund invests wholly in Pooled Vehicles which reinvest income, the only income received is mainly for Property and Private Equity dividends. The unrealised profit for 2010/11 as a result of the change in the market value of investments, amounted to £34.567m (£230.435m profit in 2009/10). Therefore the increase in market value of investments (realised and unrealised) is £78.842m (£241.627m loss in 2009/10).

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS (continued)

	<b>Purchases &amp; Futures Payments £000</b>	<b>Sales &amp; Futures Receipts £000</b>	<b>Net Profit/ Loss on Sales £000</b>	<b>Investment Income £000</b>
Fixed interest	18,082	17,995	70	0
UK equities	246,790	345,516	(7,564)	254
Foreign equities	360,976	347,475	45,637	349
Hedge fund of funds	8,000	12,325	(1,008)	0
Currency fund	0	26,612	860	0
Commodity fund	20,042	0	0	0
Property funds	14,002	1,221	0	1,778
Private equity funds	28,328	17,773	2,999	275
Futures contracts	0	0	(656)	0
Miscellaneous Profit	0	0	3,900	0
Interest Earned	0	0	0	242
Currency	0	0	37	0
	<u>696,220</u>	<u>768,917</u>	<u>44,275</u>	<u>2,898</u>
2009/10	<u>88,962</u>	<u>64,791</u>	<u>11,192</u>	<u>2,466</u>

## 5. MARKET VALUE OF INVESTMENTS (EXCLUDING CASH AND FUTURES)

The book cost of the investments as at 31st March is £856.413m (£888.116m in 2009/10). The market value of investments as at 31st March 2011 is £952.619m (£950.251m in 2009/10) which can be analysed below.

**By Continent**

The UK holdings as at 31st March 2011 account for 27% of total investments at market value

	<b>2011 £000</b>	<b>2010 £000</b>
UK	254,620	330,881
Europe	114,459	114,931
Asia Pacific	79,608	75,486
North America	78,142	88,643
Emerging markets	72,463	44,545
Global Investments	353,327	295,765
	<u>952,619</u>	<u>950,251</u>



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

5. MARKET VALUE OF INVESTMENTS (EXCLUDING CASH AND FUTURES)  
(continued)

## By Fund Manager

	2011		2010	
	£000	%	£000	%
Fidelity	0	0	31,568	3
BlackRock	59,043	6	77,737	8
Gottex	61,415	7	108,480	11
Wellington	66,165	7	59,392	6
Aberdeen	50,075	5	43,918	5
T Rowe Price	0	0	52,399	5
TT International	0	0	20,898	2
BlackRock (Quellos)	0	0	10,108	1
State Street (Transition Manager)	48,512	5	0	0
Pioneer	3,645	0	5,501	1
Liongate	23,269	2	18,050	2
SSARIS	23,732	3	18,462	2
Goldman Sachs	0	0	28,400	3
Standard Life	0	0	132,966	14
Investec	51,525	5	44,254	5
Stone Harbor	123,024	13	111,825	12
SSgA	186,871	20	0	0
Pyrford	29,275	3	0	0
Property & Private Equity Funds	226,068	24	186,293	20
	<u>952,619</u>	<u>100</u>	<u>950,251</u>	<u>100</u>

## By Listed and Unlisted (Investments at Market Value)

	2011			2010		
	Listed Managed £000	Listed £000	Unlisted £000	Listed Managed £000	Listed £000	Unlisted £000
Fixed Interest	0	0	123,024	0	0	111,825
UK equities	97,724	2,244	61,415	132,966	0	108,480
Hedge fund of funds	0	0	50,646	0	0	52,121
Currency fund	0	0	0	0	0	28,400
Commodity fund	0	0	39,814	0	0	14,847
Foreign equities	270,728	156	80,800	271,065	0	44,254
Property funds	42,523	0	35,034	37,690	2,130	23,377
Private equity funds	0	8,887	139,624	0	7,309	115,787
	<u>410,975</u>	<u>11,287</u>	<u>530,357</u>	<u>441,721</u>	<u>9,439</u>	<u>499,091</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**5. MARKET VALUE OF INVESTMENTS (EXCLUDING CASH AND FUTURES)  
(continued)**

Although the majority of the investments within the Fund are unlisted, the underlying investments of those funds are listed. Within the Private Equity and Property portfolios, although some are listed, the Fund does have substantial holdings in unquoted investments (£174.658m). These are valued at a fair value by the fund managers, using an appropriate basis of valuation. As private equity investments are generally crystallised through the sale or flotation of the entire business as a whole will provide a base for estimating the fair value of an investment in that business. However, the resulting valuations are subjective as they are based on forward looking estimates and judgements. The realisable values may well differ from the fair values and the amounts may be material.

**6. FUTURES CONTRACTS**

During the course of the transition in mid March 2011, State Street sought to provide the Fund with short term interim exposure broadly in line with target manager allocations. As a result of this, State Street equitised approximately £27m into Long Gilt Futures as a proxy for an investment into Stone Harbor and equitised approximately £22m in Asia Pacific ex Japan as a proxy for an investment into Aberdeen. (See note 9) The economic exposure represents the notional value of the stock purchased under the futures contracts and therefore the value subject to market movements.

Country	Exchange	Expiration	Economic	Asset	Liability
			Exposure		
			Value	£'000	£'000
			£'000		
UK	Long Gilt Future	Less than 1 year	26,832	0	169
Asia Pacific	MSCI Taiwan	Less than 1 year	1,705	10	0
Asia Pacific	SGX S&P CNX Nifty	Less than 1 year	3,456	90	0
Asia Pacific	Hang Seng Index Future	Less than 1 year	4,243	77	0
Asia Pacific	KOSPI2 Index Future	Less than 1 year	2,475	170	0
Asia Pacific	MSCI Singapore Index	Less than 1 year	5,920	98	0
Asia Pacific	SPI 200 Index	Less than 1 year	4,473	220	0
			<u>49,104</u>	<u>665</u>	<u>169</u>

**7. ANALYSIS OF CASH BALANCE**

The cash balance can be analysed as follows :-

	2011	2010
	£000	£000
Fund manager balances (note 10)	78,544	491
Transition Cash (note 10)	15,384	0
In-house balance	3,445	2,453
	<u>97,373</u>	<u>2,944</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**8. DEBTORS/CREDITORS**

	2011		2010	
	£000	£000	£000	£000
Current Assets :				
Admitted bodies	3,106		3,248	
Added years	82		191	
H.M. Revenue and Customs	69		59	
Pension strain	801		378	
Miscellaneous	99		33	
	<u>          </u>	4,157	<u>          </u>	3,909
Assets over 1 year :				
Pension strain	359		471	
	<u>          </u>	359	<u>          </u>	471
Less Current Liabilities :				
Lump sums	(2,178)		(1,277)	
Death grants	(90)		(16)	
Administering authority	(146)		0	
Added years	(31)		0	
Miscellaneous	(616)		(449)	
	<u>          </u>	(3,061)	<u>          </u>	(1,742)
Net Current Assets		<u>          </u>		<u>          </u>
		1,455		2,638

**9. OTHER INVESTMENTS**

	2011		2010	
	£000	£000	£000	£000
Other Investment Assets :				
Income accrual	1,218		0	
	<u>          </u>	1,218	<u>          </u>	0
Other Investment Liabilities :				
Purchases of investments	(1,195)		0	
	<u>          </u>	(1,195)	<u>          </u>	0
Other Investment Balances		<u>          </u>		<u>          </u>
		23		0

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**10. MATERIAL TRANSACTIONS**

The Fund undertakes a three yearly review of fund management arrangements. A full review was carried out during 2010/11 and the Fund redeemed from 6 active equity managers and GSAM, the Currency Fund Manager. The changes to the Fund are shown in the table below.

Manager	Mandate	Allocation	Note (Previous Asset Allocation %)
SSgA	Developed Passive Equities	19%	Replace Active Developed Equity Managers (42%) : Standard Life UK Equities (15%) Gottex UK Portable Alpha (12%) BlackRock Europe (4%) TT International Europe (2%) T Rowe Price US (5%) Fidelity Japanese Equities (4%)
Duet	Global Equities	5%	New Mandate
Pyrford	Tactical Asset Allocation	3%	New Mandate
Bluecrest	Tactical Asset Allocation	3%	New Mandate

The Duet Global Equity Fund and the Bluecrest Tactical Asset Allocation Fund were not invested until April 1st 2011 but the Fund Managers held £48m and £29m respectively in cash (see note 7). The transition manager held £15.4m in cash of which £1.2m was to cover the pending transaction outstanding for the Pyrford Tactical Asset Allocation Fund over the year end (see notes 7 and 9).

The review also resulted in an allocation increase of 1% to the existing Global Tactical Asset Allocation Fund which was effected by 31st March 2011 and allocation increases to Commodities Fund (2%), Emerging Market Fund (3%), Asia Pacific Fund (3%), Global Fixed Income Fund (2%), Property & Timber (1%) and Private Equity & Infrastructure Investments (2%). These will be effected after April 1st 2011 with the redemption of the Gottex UK Equity Portable Alpha Fund.

**11. POST BALANCE SHEET EVENT**

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2011. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

**12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

A market value or an estimate thereof has not been included for the money purchase AVC investments. These assets are specifically allocated to the provision of additional benefits for particular members. The Clwyd Pension Fund has the services of two AVC providers for members' additional benefits with the funds being invested in a range of investment products including fixed interest, equity, cash, deposit, property and socially responsible funds, as follows :-

Contributions paid	£ 492,962
Units purchased	No. 100,958
Units sold	No. 108,688
Market value as at 31st March 2011	£ 3,683,250
Market value as at 31st March 2010	£ 3,456,797

**NOTES TO THE CLWYD PENSION FUND ACCOUNTS**

continued

**13. RELATED PARTY TRANSACTIONS**

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2011, no Members of the Pension Panel have taken this option. The Members of the Pension Fund Panel do not receive any fees in relation to their specific responsibilities as members of the Panel.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

In the course of fulfilling its role as administering authority to the Fund, Flintshire County Council provided services to the Fund for which it charged £847,104 (£904,671 in 2009/10). These costs are in respect of those staff employed in ensuring the pension service is delivered, and other costs such as payroll and information technology. The costs are included in the accounts within administration expenses (see note 2). During 2010/11, the Fund received interest of £2,317 from Flintshire County Council in respect of Clwyd Pension Fund cash balances identified separately from Council monies. At the year end, a balance of £146,370 was owing to Flintshire County Council relating to support service costs which were not available at 31st March 2011.

**14. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

As at 31st March 2011, the Fund has contractual commitments of £353.7m in private equity and property funds, of which £248.9m has been invested, leaving an outstanding commitment of £104.8m.

**15. TRANSACTION COSTS**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. They can be added to purchase costs or netted against sales proceeds, as appropriate. These costs cannot be directly identified as the Clwyd Pension Fund is wholly invested in pooled vehicles.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**16. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary)**

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 30 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £956 million represented 72% of the Funding Target liabilities of £1,332 million at the valuation date. The valuation also showed that a common rate of contribution of 11.7% of Pensionable Pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit could be eliminated by an average additional contribution rate of 9.0% of Pensionable Pay for 20 years. This would imply an average employer contribution rate of 20.7% of Pensionable Pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 30 March 2011. In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

The valuation was carried out using the projected unit actuarial method. Full details of the actuarial assumptions are contained in our report dated 30 March 2011, but the main financial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of discount:		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

**16. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary) (continued)**

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contributions payable by the individual employers will be revised with effect from 1 April 2014.

**Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26**

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% per annum both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £1,414 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% per annum both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £1,276 million.

**Paul Middleman**

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2011

## **FLINTSHIRE COUNTY COUNCIL**

**AGENDA ITEM NUMBER: 4**

**REPORT TO:**     **AUDIT COMMITTEE**  
**DATE :**           **13 JULY 2011**  
**REPORT BY:**   **HEAD OF FINANCE**  
**SUBJECT :**       **TREASURY MANAGEMENT UPDATE**

### **1.00 PURPOSE OF REPORT**

1.01 To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2010/11 and 2011/12 to the end of June.

### **2.00 BACKGROUND**

2.01 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.

2.02 On 1st March 2011 the Council approved the Treasury Management Policy and Strategy Statement for 2011/12, following the recommendation of the Executive and consideration by Audit Committee.

### **3.00 CONSIDERATIONS**

#### **Governance**

3.01 A schedule for the reporting cycle for Treasury Management Reports 2011/12 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Policy these can be addressed within these reports upon request.

#### **Treasury Management Annual Report 2010/11**

3.02 The draft Treasury Management Annual Report for 2010/11 is attached as Appendix 2 for review. As required by Financial Procedures, this Annual Report will be reported to the Executive and Council. The Treasury Management Mid Year Report for 2010/11 was reported to Council on 7th December 2010.

3.03 The Annual Report compares and measures outcomes and performance with forecasts made in the Policy Statement for interest rates, investment strategy and borrowing strategy and reports on the main treasury activities during the year.

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Date: 05/07/2011



3.04 In summary, the Annual Report includes the following:

- Confirms that the Treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2010/11.
- The financial environment within which the treasury function operated remained challenging.
- Overall performance was in line with the expectations of the Policy Statement 2010/11, however base rate did not rise at the end of 2010 as originally forecast.

#### **Treasury Management Policy and Strategy Statement 2011/12**

3.05 A schedule setting out the Council's investments as at 30th June 2011 is attached as Appendix 3. Members should note the following:

- The investment balance was £63.3 million across 15 counterparties.
- Two long term investments were made, both for £2 million with Bank of Scotland at an interest rate of 2.65%, maturing on 27th July 2012.
- The percentage of cash invested for less than one month has decreased. As a result, the current average interest rate is 1.01%, compared with 0.8% for 2010/11.
- Improvements have been made with short term cash flow forecasting and longer term forecasts continue to be developed, in line with medium term financial plans.
- Several UK financial institutions have been put on review for possible credit quality downgrade by Moody's. There is a risk that some counterparties may fall outside the Council's risk criteria and appropriate short term measures have been implemented.
- A review has been undertaken of the exclusion of Santander UK from the counterparty list. Although individually strong, the creditworthiness of Santander UK was brought into question because it is a wholly owned subsidiary of Spanish bank Banco Santander. The review concluded that using the banks instant access deposit account, currently paying 0.75% appears to be an acceptable reward for accepting a relatively low level of risk.
- The Council's Treasury Management Advisors, Sterling, are researching some other initiatives with banks, which if recommended will be brought to the Committee for consideration.

3.06 There has been a slight change in the interest rate forecasts contained within the 2011/12 Strategy in that base rate is expected to rise by 0.25% to 0.75% in quarter 3 2011, albeit bank rate is forecast to rise at a slower pace after quarter 2 2012 than forecast in the 2011/12 Strategy.

3.07 There have been no changes to the Council's long term borrowing during 2011/12. As with the investment strategy, Sterling are researching some

initiatives on debt management and if recommended will be reported to the Committee for consideration.

### **Landsbanki**

- 3.08 There has been no written update from the LGA since March 2011, as the updates are sent to Group Leaders and Chief Executives and LGA are awaiting updated contacts post Local Government elections. The latest position is that on 1st April 2011, the Icelandic District Court ruled that deposits placed by UK wholesale depositors have priority status in the winding up of Landsbanki. This is a significant step towards recovering local authority deposits in this bank, as priority creditors will be at the front of the queue when the administrators start paying distributions. However, it is important to bear in mind that the decision is being appealed. The Landsbanki appeal is to be heard on 14th and 15th September 2011.

## **4.00 RECOMMENDATIONS**

- 4.01 To review and discuss the draft Treasury Management Annual Report 2010/11 and identify any matters to be drawn to the attention of Executive on 19th July 2011.

- 4.02 That Members note the report.

## **5.00 FINANCIAL IMPLICATIONS**

- 5.01 None.

## **6.00 ANTI POVERTY IMPACT**

- 6.01 None.

## **7.00 ENVIRONMENTAL IMPACT**

- 7.01 None.

## **8.00 EQUALITIES IMPACT**

- 8.01 None.

## **9.00 PERSONNEL IMPLICATIONS**

- 9.01 None.

## **10.00 CONSULTATION REQUIRED**

- 10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None.

**12.00 APPENDICES**

12.01 Appendix 1 - Treasury Management Reports Schedule 2011/12  
Appendix 2 - Treasury Management Annual Report 2010/11  
Appendix 3 - Council's Investments as at 30th June 2011.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**  
**BACKGROUND DOCUMENTS**

Treasury Management Strategy & Policy Statement 2010/11.

Contact Officer: Philip Latham  
Telephone: 01352 702264  
E-Mail: philip\_latham@flintshire.gov.uk

**TREASURY MANAGEMENT REPORTING 2011/12**

<b>Committee Report</b>		<b>Audit</b>	<b>Executive</b>	<b>Council</b>
<b>Annual Report 2010/11</b>		13 July	19 Jul	13 Sept (pm)
Primary Purpose	Information			
Secondary Purpose	Policy Change			

<b>Committee Report</b>		<b>Audit</b>	<b>Executive</b>	<b>Council</b>
<b>Mid Year Review 2011/12</b>		28 Sept	18 Oct	22 Nov
Primary Purpose	Information			
Secondary Purpose	Policy Change			

<b>Committee Report</b>		<b>Audit</b>	<b>Executive</b>	<b>Council</b>
<b>Policy &amp; Strategy 2012/13</b>		30 Jan	21 Feb	6 March
Primary Purpose	Policy Change			
Secondary Purpose	Information			



# **FLINTSHIRE COUNTY COUNCIL**

## **TREASURY MANAGEMENT**

### **DRAFT ANNUAL REPORT 2010/11**

## **1.00 INTRODUCTION**

- 1.01 The Council approved the Treasury Management Policy and Strategy Statement (Policy Statement) 2010/11 including key indicators, limits and an annual investment strategy on 17<sup>th</sup> February 2010.
- 1.02 The Policy Statement was produced based on the 2009 edition of the CIPFA Treasury Management in the Public Services: Code of Practice.
- 1.03 The purpose of this report is to review the outcomes from 2010/11 treasury management operations and compare with the Policy Statement.

## **2.00 TREASURY MANAGEMENT COMPLIANCE STATEMENT 2010/11**

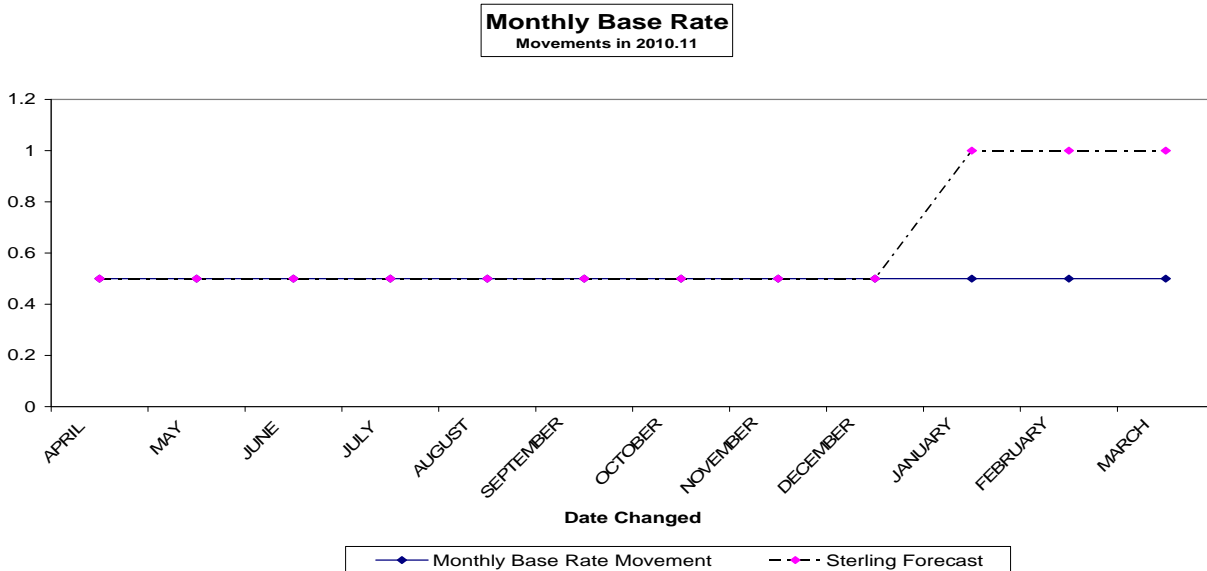
- 2.01 Treasury management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.02 All treasury management activity undertaken during 2010/11 complied with the approved Policy and Strategy Statement 2010/11, the CIPFA Code of Practice 2009, and the relevant legislative provisions.
- 2.03 The Authority's current policy is to appoint an external consultant to advise on its treasury management function. The external adviser is Sterling Consultancy Services.

## **3.00 ECONOMIC & INTEREST RATE REVIEW 2010/11**

- 3.01 The UK base rate remained at 0.50% throughout 2010/11.
- 3.02 The 2010/11 maximum and minimum PWLB rates for fixed maturity loans were:

<b>Period</b>	<b>Maximum</b>	<b>Minimum</b>	<b>31/03/2011</b>
4 to 5 years	3.83%	1.66%	3.57%
9 to 10 years	4.99%	2.97%	4.71%
10 to 15 years	5.38%	3.14%	5.13%
15 to 25 years	5.55%	3.64%	5.32%

- 3.03 The graph below shows the movement in U.K. base rate during 2010/11 and Sterling's forecast for 2010/11 upon which the Strategy was based. As can be seen from the graph, the forecasted rise in base rate to 1% did not materialise. Sterling provided revisions to this forecast during the year and their review of the year follows.



### 3.04 Annual Review 2010/11 by Sterling Consultancy Services

Following recession in 2009, global economic activity rebounded in 2010. Traditional exporters like Germany benefited from rising consumer demand worldwide, although economies more reliant on domestic consumption, including the UK, faced a weaker outlook. The government and household sectors of these countries were burdened by excessive debt, ultimately resulting in weaker domestic spending.

The absence of a quick economic recovery led to rising government budget deficits, especially in the European periphery, and prompted some concern among bond investors and credit rating agencies. This loss of confidence in the ability of some governments to repay their debts saw bond yields rise and the markets effectively closed to certain countries. Greece, Ireland and Portugal were all forced to seek financial assistance from the European Union and the International Monetary Fund.

The UK's deteriorating financial position was also a concern. The UK had the highest budget deficit in the EU in 2009/10 and the economic outlook was weak. However, the new Conservative-Liberal Democrat coalition government, formed following the inconclusive General Election in May 2010, outlined what was perceived by investors and credit rating agencies to be a credible fiscal consolidation plan. With financial problems continuing elsewhere in Europe, the UK was perceived to be a relative "safe haven", and strong appetite for UK government debt kept gilt yields low.

While the UK government focused on tightening fiscal policy, the Bank of England

maintained loose monetary policy. Bank Rate remained at 0.5% throughout the financial year, despite inflation rising to over double the 2% target as the price of raw materials increased. With inflation expected to test 5% during 2011, heightening the risk that raised inflation expectations would feed into wages and prices, three members of the Monetary Policy Committee voted for a rise in Bank Rate in February. The remaining six members, however, were more concerned that higher interest rates could choke off the economic recovery, which was already showing signs of slowing in response to fiscal tightening. The MPC remains divided on when to raise Bank Rate.

#### **4.00 TREASURY MANAGEMENT ACTIVITIES DURING 2010/11**

4.01 The following were the main treasury activities during 2010/11:

- The Head of Finance received a monthly update on Treasury activities.
- An Internal Audit report in June 2010 provided substantial assurance.
- The Council received a Mid Year Report on 7<sup>th</sup> December 2010.
- Quarterly updates reports were presented to the Audit Committee including the Icelandic monies at risk (see paragraph 7).
- All Members were invited to a training session undertaken by Sterling Consultancy Services on 30<sup>th</sup> January 2011, which was hosted by Audit Committee.
- The new Policy and Strategy Statement 2011/12 was approved by Council on 1<sup>st</sup> March 2011.
- The Council continues to be an active member of both the CIPFA Treasury Management Forum and the CIPFA Benchmarking Club.
- The Council's cash flow was managed on a daily basis. During the year the Authority acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time was £82.3m and the maximum long-term borrowing at any one time was £173.6m. The average investment balance was £66.0m.

#### **5.00 TREASURY MANAGEMENT DEBT STRATEGY**

5.01 The total long term debt outstanding, brought forward into 2010/11 totalled £173.6 million (m) of which £154.7m was at fixed rate and £18.9m was variable in the form of Lobo's (Lender's Option, Borrower's Option). The Council's overall borrowing rate at the start of the year was 5.65%.

5.02 The Debt Strategy as stated in the Policy Statement 2010/11 and outcomes are recorded below:

- To effect borrowing required in 2010/11 at the cheapest cost commensurate with future risk based on interest rate forecasts outlined in



## the strategy statement

There was a long term borrowing requirement of £2.45 million for 2010/11, as reported in the 2010/11 Treasury Management Policy & Strategy Statement. However no borrowing was undertaken as it was not required at the time and the Council was concerned about the heightened credit risk of temporarily investing borrowed cash.

- The Head of Finance will keep under review, along with its Treasury Consultants, the opportunities which may arise for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility). Any actions carried out under delegated powers will be reported to the Executive and County Council as appropriate.

Some debt re-structuring was undertaken in May 2010. Five loans with interest rates of 4.45% were reduced in total by £10m and replaced by a new variable rate loan of £10m at 0.65% for 10 years. After consideration of the cost of the premium for early repayment and the allocation of savings to the HRA, the resultant savings were estimated to be in the region of £250K for 2010/11, which was already assumed as part of the 2010/11 budget. The Council's overall borrowing rate reduced to 5.43%. Further re-structuring and debt repayment is constantly under review.

- To manage the Council's debt maturity profile, i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing with the limits stated within the strategy statement.

The debt maturity profile as at 31 March 2011 is shown on page 10 and includes the impact of the debt restructuring detailed above. This shows a debt maturity profile in line with CIPFA's recommendations of having no more than 10% of the debt portfolio maturing in any one future year. No more than 5.76% of the Council's portfolio matures in any one year. The Council remained within the approved Prudential Limits for Debt Maturity.

- To monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements, within the limits stated in the strategy statement.

The Council had one variable PWLB rate loan during 2010/11 (note above in May 2010). The interest rate on this loan varied between 0.65% - 0.70% during the year. The interest rate on the Council's LOBOs can be increased by the lender but the Council has the opportunity to repay. As forecast, this event did not occur

in 2010/11 as market rates remain low. The Council remained within the approved Prudential Limits for Variable Interest Rate Exposure.

## **6.00 TREASURY MANAGEMENT INVESTMENT STRATEGY**

6.01 The Council's investment strategy was:

- Investments will be made in accordance with the Guidance on Local Government Investments issued by the National Assembly for Wales under section 15(1)(a) of the Local Government Act 2003, and with the institutions identified in the authorised lending list. Investments will be made with the aim of meeting cash flow requirements whilst achieving a level of return greater than would be secured by internal investment and maintaining capital security and policy flexibility.

6.02 Investment transactions totalled £324.0m in 2010/11 with interest earned amounting to £507k on an average balance of £66m. The weighted average temporary investment rate obtained in the year was 0.82%. This compares with the Policy Statement which assumed an average rate of 0.77% on an average balance of around £70m, estimating income of £545k. A full list of transactions undertaken during the year is available in the background papers. All investments were made in accordance with the Treasury Management Policy & Strategy Statement 2010/11.

6.03 The weighted average temporary investment rate obtained in the year of 0.82% is higher than the seven day LIBID rate of 0.43% which is a proxy of a return without effective cash flow management.

6.04 No temporary borrowing costs were incurred during 2010/11 which is a measure of the accuracy of short term cash flow management.

6.05 The maturity of investments was regularly reviewed with the aim of maximising returns whilst managing the risk of future interest rate movements. As at 31<sup>st</sup> March 2011, the maturity of investments is shown in the table below:

<b>Maturity Due</b>	<b>Actual %</b>	<b>Forecast %</b>
< 1 month	41.3%	35%
1 – 3 months	35.4%	55%
3 – 12 months	13.1%	
> 12 months	3.6%	10%
Icelandic Investments	6.6%	

The table above only illustrates the position as at 31<sup>st</sup> March 2011. The percentages fluctuated throughout the year but marginally more cash was held short term than forecast because of the investments held in call accounts which have paid rates higher than counterparties in the market for periods below 1 – 3 months.

- 6.06 The Investment Strategy set a Prudential Limit of £40 million for non-specified investments. In 2010/11, non-specified investments were limited to investments over 364 days including forward deals with counterparties which meet the credit rating criteria. As part of this strategy, the following longer term investments were made during 2010/11.

Amount (£)	Counterparty	Date From	Date to	Period (days)	Interest rate (%)
£2 million	Barclays	15/06/10	15/06/12	731	1.85
£2 million	Barclays	15/06/10	17/06/11	367	1.34

- 6.07 Cash balances in relation to other Funds were utilised in the year and interest was paid at the following rates and times as stated in the Treasury Management Practices –

Clwyd Pension Fund – average investment rate, quarterly  
 Education Trust Funds – base rate, annually  
 Optec Youth Exchange Fund – average monthly rate, quarterly  
 Insurance Fund – average seven day rate, annually  
 Education Delegated Fund – average seven day rate, annually

- 6.08 It is Council policy to minimise daily cash flow balances. However, on certain occasions it is uneconomic to deal (below £200,000) and therefore, the balance is kept in the bank account.

## **7.00 LANDSBANKI INVESTMENTS - UPDATE**

- 7.01 On 7<sup>th</sup> October 2008, Landsbanki was placed in receivership. At that time Flintshire had £3.7 million of Council monies invested with the UK subsidiary. The investments were made as follows –

£1.2 million maturing 17<sup>th</sup> October 2008 (invested on 22<sup>nd</sup> July 2008)  
 £1.5 million maturing 14<sup>th</sup> November 2008 (invested on 1<sup>st</sup> September 2008)  
 £1.0 million maturing 18<sup>th</sup> November 2008 (invested on 8<sup>th</sup> September 2008)

- 7.02 All monies are currently subject to the administration process, the amounts and

timings of payments to depositors will be determined by the administrators. However, the recovery is subject to the following uncertainties and risks:

- Deposits have been awarded priority status by the Icelandic District Court; but, there is an appeal against this to the Supreme Court.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling. Currently, these fluctuations are not expected to be material, although this may change in the future.

Any change to the priority creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, therefore, if priority creditor status is removed the recoverable amount may only be 29%.

7.03 No information has been provided by the resolution committee about the timing of any payment to depositors, and because it is anticipated that all the assets of Landsbanki will need to be realised to repay priority creditors, settlement in a single sum is unlikely. The 2010/11 accounts have been closed taking account of the guidance from the Wales Audit Office and CIPFA. It is therefore assumed for accounting purposes that the repayment will be made as follows –

<b>Date</b>	<b>%</b>
December 2011	22.17
December 2012	8.87
December 2013	8.87
December 2014	8.87
December 2015	8.87
December 2016	8.87
December 2017	8.87
December 2018	19.47
<b>Total</b>	<b>94.86</b>

7.04 Council Officers have been and continue to provide information to assist the Local Government Association (LGA), Welsh Local Government Association (WLGA) and other bodies who are seeking to recover investments.

## **8.00 PEER GROUP PERFORMANCE COMPARISON**

8.01 Flintshire County Council is a member of the CIPFA Treasury Management Benchmarking Club. The draft 2010/11 report compared the Council with 69 other authorities. Whilst this benchmarking information assists in reviewing comparative performance, it must be recognised that not all Councils are in the comparison

(69 out of several hundred) and that the size of Councils and their historic Treasury Management positions do not provide comparable situations and so results from benchmarking need to be reviewed with care. The data provided showed that the weighted average long term borrowing rate for Flintshire of 5.43% was higher than the benchmarking group average of 4.90%. The reason for this difference reflects the Council's historic borrowing and no new borrowing since 2001/02 where rates have been lower. The weighted average investment rate was 0.82% compared with the benchmarking group average of 1.26%. The main reasons for the lower average rate are:

- Average investment balance of the benchmarking group is over £90m compared with £60m for the Council. These higher balances may assist larger councils with access to counterparties and better rates for longer periods.
- The average term in days for fixed investments less than 365 days was 137 days for the group compared with 81 days for the Council.
- In terms of investments over 365 days, some councils still have 'old' investments earning between 5 – 7% some of which were made at the time of the 2008 crisis when the council became more risk averse and kept all investments short.

8.02 In previous years comparison has been made with other Welsh Unitary Authorities but this has become less appropriate as only 4 of the other 21 Authorities now participate.

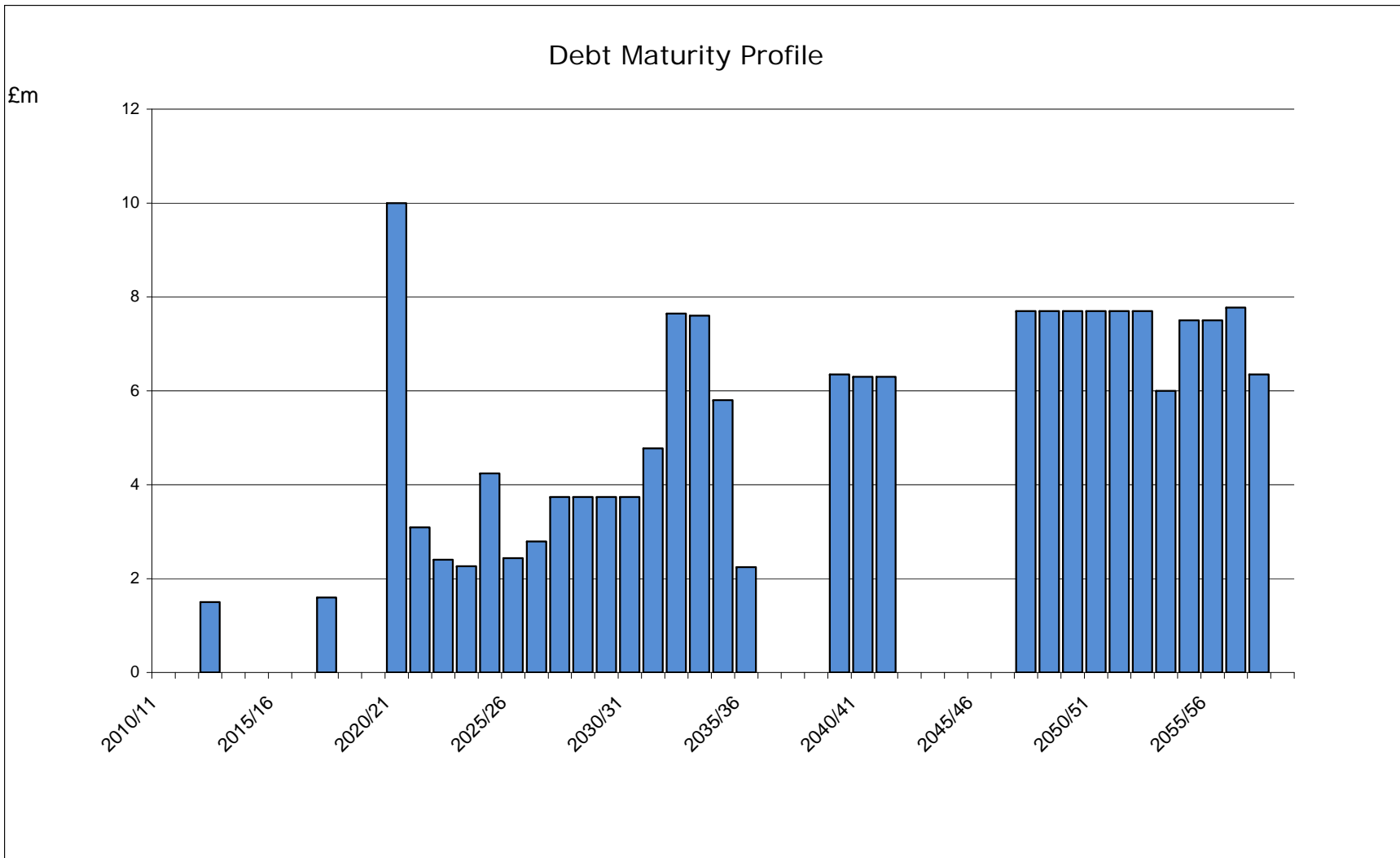
8.03 The performance of external cash managers is monitored by Sterling Consultancy Services and if it is considered appropriate in the future to appoint such a manager, then a recommendation will be made to Executive.

## **9.00 CONCLUSION**

9.01 The treasury management function has operated within the statutory and local limits detailed in the 2010/11 Treasury Management Policy Statement.

9.02 There is a revised Policy Statement for 2011/12 which has made further changes with the view of continuing to improve performance by managing the various treasury risks.

9.03 The financial environment within which the treasury function operates remains challenging.



**Flintshire County Council**  
**Investments as at 30th June 2011 - by maturity date**

Counterparty Name	Amount	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity	£m
	£m						£m
LANDSBANKI ISLANDS	1.2	22-Jul-08	17-Oct-08	5.82%	16,646.79	Not Returned	Iceland
LANDSBANKI ISLANDS	1.5	1-Sep-08	14-Nov-08	5.70%	17,334.25	Not Returned	Iceland
LANDSBANKI ISLANDS	1.0	8-Sep-08	18-Nov-08	5.67%	11,029.32	Not Returned	Iceland
SKIPTON BUILDING SOCIETY	1.0	5-Apr-11	18-Jul-11	0.85%	2,421.92	1 month or less	1.0
PROGRESSIVE BUILDING SOCIETY	1.0	5-Apr-11	18-Jul-11	0.92%	2,621.37	1 month or less	1.0
PRINCIPALITY BUILDING SOCIETY	2.0	15-Apr-11	18-Jul-11	0.80%	4,120.55	1 month or less	2.0
NATIONAL WESTMINSTER BANK	6.0	31-Mar-11	22-Jul-11	0.80%	14,860.27	1 month or less	6.0
CLOSE BROTHERS	2.0	3-Feb-11	28-Jul-11	0.75%	7,191.78	1 month or less	2.0
PRINCIPALITY BUILDING SOCIETY	1.5	4-May-11	28-Jul-11	0.80%	2,794.52	1 month or less	1.5
BANK OF SCOTLAND	3.0	31-Mar-11	31-Jul-11	0.75%	7,520.55	1 month or less	3.0
SKIPTON BUILDING SOCIETY	1.3	5-May-11	18-Aug-11	0.85%	3,178.77	1 - 2 months	1.3
OVERSEA-CHINESE BANKING CORPORATION	1.3	5-May-11	18-Aug-11	0.75%	2,804.79	1 - 2 months	1.3
LEEDS BUILDING SOCIETY	1.3	5-May-11	18-Aug-11	0.82%	3,066.58	1 - 2 months	1.3
LEEDS BUILDING SOCIETY	1.2	5-May-11	22-Aug-11	0.82%	2,938.52	1 - 2 months	1.2
LEEDS BUILDING SOCIETY	1.6	11-May-11	22-Aug-11	0.80%	3,612.05	1 - 2 months	1.6
NATIONAL COUNTIES BUILDING SOCIETY	1.3	16-May-11	22-Aug-11	0.85%	2,966.85	1 - 2 months	1.3
SVENSKA HANDELSBANKEN	7.0	31-Mar-11	26-Aug-11	0.75%	21,287.67	1 - 2 months	7.0
NOTTINGHAM BUILDING SOCIETY	0.8	16-May-11	26-Aug-11	0.82%	1,833.21	1 - 2 months	0.8
COVENTRY BUILDING SOCIETY	1.0	2-Jun-11	31-Aug-11	0.74%	1,824.66	1 - 2 months	1.0
NOTTINGHAM BUILDING SOCIETY	1.4	19-Nov-10	16-Sep-11	1.50%	17,317.81	2 - 3 months	1.4
OVERSEA-CHINESE BANKING CORPORATION	1.5	1-Jun-11	16-Sep-11	0.73%	3,210.00	2 - 3 months	1.5
COVENTRY BUILDING SOCIETY	2.8	3-Jun-11	16-Sep-11	0.81%	6,524.38	2 - 3 months	2.8
NATIONWIDE BUILDING SOCIETY	2.1	3-Jun-11	22-Sep-11	0.79%	5,045.18	2 - 3 months	2.1
LEEDS BUILDING SOCIETY	0.9	3-Jun-11	22-Sep-11	0.76%	2,080.11	2 - 3 months	0.9
COVENTRY BUILDING SOCIETY	1.1	3-Jun-11	22-Sep-11	0.81%	2,709.62	2 - 3 months	1.1
PROGRESSIVE BUILDING SOCIETY	0.9	6-Jun-11	28-Sep-11	0.85%	2,389.32	2 - 3 months	0.9
NATIONAL COUNTIES BUILDING SOCIETY	1.0	8-Jun-11	28-Sep-11	0.95%	2,915.07	2 - 3 months	1.0
PROGRESSIVE BUILDING SOCIETY	2.1	31-Mar-11	14-Oct-11	1.30%	14,734.52	3 - 4 months	2.1
NATIONAL COUNTIES BUILDING SOCIETY	1.2	4-Nov-10	03-Nov-11	1.65%	19,745.75	4 - 5 months	1.2
PROGRESSIVE BUILDING SOCIETY	1.0	11-May-11	18-Nov-11	1.22%	6,384.11	4 - 5 months	1.0
NATIONAL COUNTIES BUILDING SOCIETY	1.5	15-Feb-11	16-Dec-11	1.60%	19,989.04	5 - 6 months	1.5
NOTTINGHAM BUILDING SOCIETY	1.1	7-Jan-11	06-Jan-12	1.75%	19,197.26	6 - 7 months	1.1
NOTTINGHAM BUILDING SOCIETY	1.7	4-May-11	17-Feb-12	1.45%	19,517.40	7 - 8 months	1.7
BARCLAYS BANK	2.0	15-Jun-10	15-Jun-12	1.85%	74,101.37	11 - 12 months	2.0
BANK OF SCOTLAND	2.0	9-May-11	27-Jul-12	2.65%	64,616.44	12 months+	2.0
BANK OF SCOTLAND	2.0	20-May-11	27-Jul-12	2.65%	63,019.18	12 months+	2.0
	<b>63.3</b>				<b>473,550.98</b>		<b>63.3</b>
<b>Summary</b>		<b>Total</b>	<b>1 month or less</b>	<b>1 - 3 months</b>	<b>3 months +</b>	<b>12 months +</b>	<b>Iceland</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
DEBT MANAGEMENT OFFICE (DMO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK	49.8	78.7	16.5	18.7	10.6	4.0	0.0
OVERSEAS	9.8	15.5	0.0	9.8	0.0	0.0	0.0
OTHER LOCAL AUTHORITIES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ICELAND (LANDSBANKI)	3.7	5.8	0.0	0.0	0.0	0.0	3.7
	<b>63.3</b>		<b>16.5</b>	<b>28.5</b>	<b>10.6</b>	<b>4.0</b>	<b>3.7</b>
		100.0%	26.1%	45.0%	16.8%	6.3%	5.8%

## Flintshire County Council

## Investments as at 30th June 2011 - by bank

Counterparty Name	Amount £m	Start Date	Maturity	Interest Rate	Interest Earned during investment period	Period to Maturity	£m
BANK OF SCOTLAND	3.0	31-Mar-11	31-Jul-11	0.75%	7,520.55	1 month or less	
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ESTIMATED INTEREST FOR 2011/12 AS AT 31ST MAY 2011 £600,336.73