

# Public Document Pack

**Gareth Owens LL.B Barrister/Bargyfreithiwr**  
Chief Officer (Governance)  
Prif Swyddog (Llywodraethu)



To: Cllr Tim Newhouse (Chairman)

CS/ST

Councillors: Glyn Banks, Haydn Bateman,  
Alan Diskin, Alison Halford, Ian Roberts and  
Arnold Woolley

7 July 2015

Paul Williams

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Dear Sir / Madam

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **WEDNESDAY, 15TH JULY, 2015** at **2.00 PM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

## **AGENDA**

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 3 - 14)  
To confirm as a correct record the minutes of the meeting held on 3 June 2015 (copy enclosed).
- 4 **DRAFT STATEMENT OF ACCOUNTS 2014/15** (Pages 15 - 152)  
Report of Corporate Finance Manager enclosed.
- 5 **ANNUAL GOVERNANCE STATEMENT** (Pages 153 - 158)  
Report of Chief Officer (Governance) enclosed.

6 **SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2014/15** (Pages 159 - 166)

Report of Corporate Finance Manager enclosed.

7 **TREASURY MANAGEMENT ANNUAL REPORT 2014/15 AND 2015/16 QUARTER 1 UPDATE** (Pages 167 - 190)

Report of Corporate Finance Manager enclosed.

8 **ASSET DISPOSALS AND CAPITAL RECEIPTS GENERATED 2012/13 - 2014/15** (Pages 191 - 196)

Report of Chief Officer (Organisational Change) enclosed.

9 **ACTION TRACKING** (Pages 197 - 202)

Report of Internal Audit Manager enclosed.

10 **FORWARD WORK PROGRAMME** (Pages 203 - 206)

Report of Internal Audit Manager enclosed.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

The following items are considered to be exempt by virtue of Paragraph(s) 12, 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

It would not be in the public interest for the reports to be made public as this could prejudice the business affairs of third parties and future disciplinary investigations.

11 **WASTE MANAGEMENT INVESTIGATION** (Pages 207 - 284)

Report of Internal Audit Manager enclosed.

12 **WASTE MANAGEMENT INVESTIGATION - INTERNAL AUDIT REPORT** (Pages 285 - 290)

Report of Chief Officer (Governance) and Chief Officer (Streetscene and Transportation) enclosed.

## AUDIT COMMITTEE 3 JUNE 2015

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 3 June 2015

### **PRESENT:**

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Tim Newhouse and Arnold Woolley

**LAY MEMBER:** Mr Paul Williams

**SUBSTITUTIONS:** Councillors: Ian Dunbar (for Ian Roberts) and Ron Hampson (for Alan Diskin)

**APOLOGY:** Chief Executive

**ALSO PRESENT:** Leader of the Council

### **IN ATTENDANCE:**

Chief Officer (Governance), Internal Audit Manager, IT Support Services Manager, Corporate Finance Manager, Finance Manager, Performance Team Leader and Committee Officer

Mr. Paul Goodlad, Ms. Amanda Hughes and Ms. Michelle Phoenix of Wales Audit Office

## **1. APPOINTMENT OF CHAIR**

Councillor Ron Hampson's nomination for Councillor Tim Newhouse was seconded by Councillor Ian Dunbar. On being put to the vote, this was carried. No further nominations were received.

### **RESOLVED:**

That Councillor Tim Newhouse be appointed Chair of the Committee.

(From this point, Councillor Newhouse chaired the remainder of the meeting)

## **2. APPOINTMENT OF VICE-CHAIR**

Following a request for nominations for Vice-Chair, the Chair proposed that Mr. Paul Williams be appointed. This was seconded by Councillor Glyn Banks and on being put to the vote, was carried.

### **RESOLVED:**

That Mr. Paul Williams be appointed Vice-Chair of the Committee.

### **3. SUBSTITUTIONS**

In line with the Constitutional requirement, Councillor Glyn Banks proposed that the Committee allow Councillors Ian Dunbar and Ron Hampson to substitute for Councillors Ian Roberts and Alan Diskin respectively. It was confirmed that both had undertaken the relevant training. This was agreed by the Committee.

#### **RESOLVED:**

That Councillors Ian Dunbar and Ron Hampson be permitted as substitutes for the meeting.

### **4. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

There were no declarations of interest.

### **5. MINUTES**

The minutes of the meeting of the Committee held on 18 March 2015 were submitted.

#### Accuracy

Minute number 63: Wales Audit Office Audit Plan 2015 - in relation to Councillor Alison Halford's comments about the cancellation of a meeting of the Planning & Development Control Committee, she asked for it to be noted that the meeting related to the crematorium issue in Flintshire.

Minute number 65: 2014/15 Treasury Management Update - Councillor Haydn Bateman clarified that his request was for future reports to include investment balance details for the previous year's quarter, rather than the previous quarter.

#### Matters Arising

Minute number 60: Internal Audit Progress Report - Councillor Halford referred to the report on mobile phones which had been included on the agenda following the Chairman's request for a breakdown of the electronic devices issued by the Council. She sought explanation on why the report had omitted costs for extras such as data sim cards for laptops and iPads at the request of the Chairman, as reported in the local press.

The Chairman explained that he had wished to simplify matters by limiting the information to mobile phones to avoid any confusion with other devices. The Chief Officer (Governance) alluded to a range of mobile devices used in the Council and said that the report contained details of the key issues, ie Blackberry and mobile devices, and excluded low usage items such as data SIM cards.

## **RESOLVED:**

That subject to the two amendments, the minutes be approved as a correct record and signed by the Chairman.

## **6. AUDIT REPORT ON MOBILE 'PHONES**

The IT Support Services Manager presented information on the use and cost of mobile phones by officers and elected Members of the Council, as requested by the Chairman. A recent review of Council issued mobile phones had resulted in the withdrawal of 513 mobile phone contracts which were no longer required. As an update on figures previously shared and based on usage in the previous year and annual rental charges, this represented savings of approximately £35,500 excluding VAT (£42,608 including VAT).

The report included a breakdown of the 1,985 active mobile phone contracts within each portfolio as at 31 March 2015. At the end of May 2015, there were 2,076 active contracts (including 'SIM only'). Whilst contracts with inclusive minutes had previously been considered, it had been found that when looking at overall use, it was more cost-effective to use 'pay as you go' contracts. The Council would be taking part in a tendering exercise, due for completion at the end of July 2015, to investigate whether further savings could be made.

The Chief Officer (Governance) explained that the provision of mobile phones supported the Council's agile working policy, where teams were 'hotdesking', and to enable those required to work outside their normal place of work to remain in contact with their teams and customers. In addition, developments in service areas such as Housing reinforced the importance of mobile phone usage. Whilst the IT section had responsibility for the corporate contract, mobile phones were distributed and managed through a network of departmental representatives with responsibility for allocating and collecting devices from leavers as well as monitoring usage. It was pointed out that some low usage mobile phones were allocated for emergencies only or to accept incoming calls only, and that cost analysis on high usage phones indicated that only 1.5% of the entire mobile phone estate had incurred charges above £200 per month. The Chief Officer advised of plans to carry out further reviews of mobile phone provision on an annual basis and summarised the actions taken to date in response to the recommendations of the audit report. As set out in the recommendation tracking section of the Internal Audit Progress Report, all had been implemented apart from the reconciliation to supplier data, due to the delay in removing charges from cancelled contracts and also the review of the policy.

Following a question from Councillor Alison Halford, the Chief Officer confirmed that the Council's policy was for officers working from home to be contactable. He said that Members wishing to contact officers on work matters should be given the mobile phone number, alternatively he provided explanation on the 'Sametime' facility which enabled officers' work numbers to be diverted to a home or mobile number, with the cost of diverting the call met by the Council.

Councillor Ian Dunbar remarked on the difference in cost between contracts for mobile phones compared with those of Blackberry phones. The Chief Officer explained that whilst the mobile phone contracts were £2 per month

(including handset), the Blackberry contract at £12 per month included handset and data charges. The IT Support Services Manager added that call charges were the same for both devices at 2p to 4½p, depending on which network was being called and that Blackberry devices enabled easier access to emails. When asked about the number of Blackberry phones currently used within the Council, he agreed to find out: following the meeting he confirmed this to be 507.

The Chairman referred to the analysis showing eight mobile phones with annual usage costs over £400 and asked whether it would be beneficial to move these to a pay monthly contract. The IT Support Services Manager advised that this would be considered as part of the review along with the potential to use 'blended' tariffs comprising some contract phones and some with 'pay as you go'.

On the breakdown shown in the report, Councillor Halford referred to the high number of mobile phone contracts in Community & Enterprise in comparison with the total number of employees in that portfolio. It was explained that these figures included mobile personal digital assistant (PDA) devices used by some employees to receive their work docket and mark jobs completed.

The Chairman thanked officers for their work in producing the report and welcomed the savings achieved through the reduction in mobile phone contracts.

**RESOLVED:**

That the report be noted.

**7. WALES AUDIT OFFICE REVIEW OF THE COUNCIL'S WHISTLEBLOWING ARRANGEMENTS**

The Internal Audit Manager introduced the results of the Wales Audit Office (WAO) review of the Council's whistleblowing arrangements.

In presenting the report, Mr. Paul Goodlad of WAO explained that the basis of the review was not due to any concerns, but formed part of an Improvement Study across all 22 Councils in Wales to ensure that sufficiently robust arrangements were in place, following some high-profile whistleblowing cases in England. The conclusions of the review, as set out in the report, were that the Council's policy was satisfactory and was applied appropriately on the few whistleblowing incidents which had occurred during the period. Whilst there were no recommendations or proposals for improvement, the report contained some suggestions to strengthen aspects of the policy which could be considered when the policy was next due for review by the Council.

Mr. Paul Williams noted that checks had not been carried out to determine whether schools had whistleblowing arrangements in place and raised concerns that this affected the Council's ability to support and challenge schools' governing bodies.

The Internal Audit Manager said that it was the responsibility of schools to adopt their own whistleblowing policy and gave assurance that this would be followed up. When asked by Councillor Alison Halford if there was any pressure on Head Teachers and Governors to produce a policy, he replied that this was

not the case as the Council commended its own policy for use together with the good practice model policy produced by the Welsh Government for schools.

Mr. Goodlad advised the Committee that the key issue was for the Council to be assured that schools had adopted a policy.

Responding to further comments by Councillor Halford and Mr. Williams on the need to ensure that policies were adopted by schools, the Chief Officer (Governance) said that there was no formal mechanism. However, there were opportunities to persuade schools, for example by the Internal Audit Manager or his officers raising the matter with the Heads' Federation and by using school governor contacts and primary liaison officers in Education & Youth. The Internal Audit Manager agreed to follow up with the Chief Officer for Education & Youth.

Mr. Williams felt that a more direct approach was required by producing an action plan and identifying which schools had not yet adopted a policy.

In relation to the confidentiality clause within the Council's severance arrangements, Councillor Glyn Banks spoke of the need to encourage employees to disclose any concerns whilst in the employment of the Council wherever possible.

#### **RESOLVED:**

That the report be noted.

### **8. RISK MANAGEMENT UPDATE**

The Performance Team Leader introduced an update on the improved risk management approach as part of streamlining and integrating the business planning arrangements. An overview was also given of the key risks of the Improvement Priorities of the Council at year end. Attention was drawn to the actions being taken by the Council to strengthen its approach to risk management, also addressing findings as previously identified in the Wales Audit Office (WAO) Corporate Assessment report and an Internal Audit report. Information was also provided on the implementation of the new approach across the nine new Programme Boards and phased introduction of a new performance management system (CAMMS). On Improvement Plan strategic risks, the Quarter 4 position in March 2015 reported a reduction in Red (high) risks and increase in Green (low) risks. As an update to the report, the risk trend position since Quarter 4 showed six increasing, 28 decreasing and 45 remaining the same.

In response to a question from Councillor Glyn Banks, the Performance Team Leader explained that the new 6x4 risk matrix included more categories which offered more clarity on how risks were changing over time, particularly in relation to the mitigation being put in place and changes to the environment, eg new legislation.

On the Improvement Plan 2014/15 Risks Summary for April 2015, Mr. Paul Williams queried some of the 2014 target score dates for the Financial Strategy

sub-priority. The Performance Team Leader acknowledged that those dates would need to be updated.

When asked by Mr. Williams what could be done as further improvement, Mr. Paul Goodlad of WAO gave assurance that the new risk management approach would be given time to implement fully before being reviewed to ascertain its effectiveness.

**RESOLVED:**

- (a) That the improved risk management approach as part of streamlining and integrating the business planning arrangements be endorsed and the Committee assured that the proposed improvements for risk management are robust; and
- (b) That the summary of strategic risks, as related to the Improvement Priorities of the Council, be noted.

**9. PROTOCOL INTERNAL AND EXTERNAL AUDIT**

The Internal Audit Manager presented the updated Protocol between Internal Audit and the Auditor General for Wales and the Wales Audit Office (WAO). He explained that the Protocol had been revised following a review undertaken to ensure it reflected current practice and met requirements, including those of the Public Sector Internal Audit Standards (PSIAS) and the Code of Audit Practice and Statement of Practice of the Auditor General for Wales.

**RESOLVED:**

That the Protocol be accepted as the basis for the ongoing co-operation between the internal and external auditors.

**10. CERTIFICATION OF GRANT CLAIMS AND RETURNS 2013/14**

The Corporate Finance Manager introduced the Wales Audit Office (WAO) annual report on the grant claim certification for the year ending 31 March 2014. He confirmed that the findings of the report had been considered by the Corporate Finance Management Team and that appropriate actions had been put in place which would be subject to monitoring. A total of 19 grants had been certified with a net adjustment to claims of £0.224m, which was a relatively small proportion of the total £183m, of which £0.200m related to the timing of the receipt of grant income. Having acknowledged that further work was required to address the issues raised by WAO, Council officers had worked with WAO colleagues to identify control measures to be implemented immediately. In addition, all officers dealing with grants would be obliged to attend forthcoming training sessions with WAO.

Ms. Amanda Hughes of WAO expressed her disappointment on the findings of the overall report. Although it was noted that the Council had generally adequate arrangements in place for the production and submission of its 2013-14 grant claims, she said there was a need to further embed and improve the arrangements which had been adopted following recommendations



in reports for previous years. Of the 19 claims submitted, ten were qualified and nine unqualified, of which five were subject to amendment. Ms. Hughes referred to her work with the Finance team to assist with the arrangements and identify improvements such as the training sessions, as a result of which she was confident that claims for 2014/15 would see a marked improvement.

In response to a question by Councillor Haydn Bateman, Ms. Hughes explained the grant claim process relating to Families First where a number of transactions had been identified outside the 2013/14 period and should not have been included as expenditure within that grant claim. The Corporate Finance Manager confirmed that the officer dealing with this matter had been made aware of the issue. Ms. Hughes went on to respond to queries on other grant claims explaining the need for the Council to adhere to rules applied to grant claims.

Councillor Alison Halford felt that there were major issues with grant claims and that the situation was unacceptable in light of the issues raised in previous years, questioning the root of the problem. Ms. Hughes said that the grant claims rules were not too complex and that the issues may have arisen due to a lack of understanding of the requirements for grant expenditure and following up the rules. She referred to the Grant Completion Checklist which had previously been implemented to accompany and verify grant claims and explained that it had not been used consistently or correctly completed. Having discussed this with the Chief Executive, Corporate Finance Manager and his team, all were keen to ensure this was quickly resolved. A pre-audit check certified by a senior Finance officer was also due to be introduced to identify any issues prior to the audit.

Councillor Halford commented on the expectation for basic finance issues to be dealt with appropriately and asked Ms. Hughes whether it was possible for the issues raised to be partly attributable to the restructuring of the Finance department. Ms. Hughes said that the processing of grant returns was routinely carried out by accountants and would not be impacted by the restructure. She felt that the issue was around raising awareness with officers dealing with grant claims - not just in Finance but across the organisation - to improve understanding on putting together auditable grant claims.

Mr. Paul Williams remarked that grant claims had been an issue since he was co-opted on the Committee in 2012 and that the Committee should be concerned that its recommendations had not been followed through. He felt that the Committee's dissatisfaction and call for accountability should be conveyed to the Chief Executive if no improvement was shown this year.

Whilst the Corporate Finance Manager shared concerns, he gave assurance of the steps being taken to improve matters, eg the central grants register to collate and document claims, pre-audit checks and encouraging service managers to attend the training which was mandatory for all officers dealing with grant claims, focussing on those areas where issues had been identified.

Following up the comments by Mr. Williams, the Chairman suggested that officers could be held accountable in future by appearing before the Committee to explain and justify the reasons for any errors.

The Chief Officer suggested that the requirement for the relevant Chief Officer or senior manager to attend and provide explanation on how the error arose and preventative action could form part of the Committee's recommendation.

Councillor Glyn Banks referred to the Welsh average for qualified claims and requested more information to provide context on the numbers involved. Ms. Hughes agreed to find out and respond separately. Following the meeting, she confirmed that the Welsh average for local authority errors was £105k on £141m (in comparison to the Council's £200k on £183m).

Following a suggestion by Councillor Banks, the Corporate Finance Manager agreed that attendance at the WAO training sessions would be made compulsory for service managers in addition to officers responsible for dealing with grant claims.

Concerns were raised by Councillor Arnold Woolley that seven previously reported qualification issues were deemed by WAO to be still ongoing. He went on say that assurance was needed that officers had the necessary skills and capacity to enable them to undertake their roles effectively.

In acknowledging the concerns raised, the Corporate Finance Manager said that the previous year had been particularly challenging due to the introduction of the new operating model and departmental capacity in dealing with the implementation of Single Status. He hoped that the Committee would be assured by the processes under review to understand the reasons for issues identified.

Mr. Williams proposed that the Committee state its disappointment and concerns on the findings of the report, despite previous recommendations and actions. Accordingly, to recommend that in the event of any further findings, the responsible Chief Officer be requested to attend the Audit Committee to give appropriate explanation. In seconding the proposal, Councillor Halford added that the Chief Executive should also be in attendance. This was agreed by the Committee.

The Chairman thanked WAO colleagues for their work on the report.

### **RESOLVED:**

The Committee wishes to state its disappointment and concerns on the findings of the report, despite previous recommendations and actions. Accordingly, it recommends that in the event of any further findings, the Chief Executive and responsible Chief Officer be requested to attend the Audit Committee to give appropriate explanation.

## **11. FINANCIAL PROCEDURE RULES**

The Finance Manager presented the proposed updated Financial Procedure Rules (FPRs) and sought recommendation to the next Constitution Committee meeting on 1 July prior to submission to County Council on

30 September 2015. In line with the Council's statutory obligations, there was a need to annually review the FPRs as well as reviewing each individual rule at least every two years. A brief overview was given of the six sections of the document, which included a glossary of financial terms to help understanding. The Finance Manager welcomed any feedback on the document and provided detail on the publication of the final approved FPRs together with a summarised version.

Mr. Paul Williams suggested that the wording on the formal virements requiring Cabinet approval be changed to reflect that this applied to aggregate amounts in excess of £75K within that specific budget. The Corporate Finance Manager confirmed that the £75K limit was an accumulative amount and would amend the wording to clarify this.

**RESOLVED:**

That the updated Financial Procedure Rules, incorporating the suggested amendment, be approved and recommended for submission to County Council.

**12. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update report on progress of the Internal Audit department. He referred to work on the completion of the updated Plan for 2014/15 and commencement of the 2015/16 Plan, together with implementation of the integrated audit software as detailed in the report.

On the list of finalised reports, an overview was provided on the findings of those with red assurance levels. On Communities First, reference was made to the grants issues raised by the Wales Audit Office (as discussed earlier in the meeting) and the need to comply with the Contract Procedure Rules on future procurement. On Schools Safeguarding, the Internal Audit Manager welcomed the swift response and actions from management to address the recommendations. In addition to communications sent to all schools, it was intended to raise the urgent safeguarding issues identified by the audit review through the Heads' Federations in the current term to ascertain any training requirements. Following a query from Councillor Glyn Banks, it was confirmed that the seven schools involved had been selected at random.

On the implementation of recommendations, it was explained that actions relating to staff recruitment and induction had been delayed due to the departure of key staff at managerial level. Actions had therefore been reallocated and a new deadline date would be agreed.

Following concerns raised by Councillor Alison Halford on Section 106 Agreements, the Internal Audit Manager gave assurances that this audit would be scheduled into the 2015/16 Plan.

Councillor Arnold Woolley pointed out that some of the recommendations remained outstanding from reports issued up to six years ago and had been given revised deadline dates. The Internal Audit Manager acknowledged this and assured Members that each would be reviewed to ascertain if they were still relevant to enable him to report back to the Committee on progress with actions

being taken. He added that most related to the Capital Programme which would be addressed through the Capital Strategy due to be issued. Following further comments by Councillor Woolley on the need for accountability to the Committee, the Chief Officer (Governance) detailed the reasons behind outstanding recommendations in his portfolio which demonstrated the need to defer actions in some cases. He added that the integrated audit software would aid in the implementation and tracking of recommendations. The Internal Audit Manager gave a reminder that the process also involved seeking approval from the relevant Chief Officer on the reason for non-implementation of recommendations.

Mr. Paul Williams pointed out that audit recommendations were based on risk which was a concern for those which had been outstanding for some time. Whilst acknowledging reliance on the opinion of Internal Audit on acceptance of the risks, he felt that fuller explanations would be helpful to give assurance to the Committee, and hoped that the situation would improve.

In response to a query by Councillor Haydn Bateman, the Internal Audit Manager agreed to provide more detail on Communities First.

On Performance Indicators, the overall target for issuing reports had been narrowly missed. Despite the downturn in the number of returned client satisfaction questionnaires at the end of each audit, the annual figure was 57% which remained above the Welsh average.

In response to concerns raised by Councillor Halford at this downturn, the Internal Audit Manager explained that the returned questionnaires generally reported positive feedback. He gave assurances that questionnaires would continue to be chased and hoped that this figure would improve through monitoring by the new integrated audit software. Councillor Halford said that this was a long-standing problem and suggested that those responsible could attend a future meeting to provide explanation. Whilst the Chief Officer understood these frustrations, he pointed out the need to consider the workload involved, highlighting the audit work on the Plan which was disproportionately spread amongst portfolios.

On the summary of investigations, the Committee was advised that the disciplinary process relating to Waste had reached a conclusion and that, as previously requested, a report would be received at the next meeting.

**RESOLVED:**

That the report be approved.

**13. INTERNAL AUDIT ANNUAL REPORT 2014/15**

The Internal Audit Manager introduced the report which summarised the outcome of all audit work undertaken during 2014/15 and included the audit opinion that the Council had an adequate and effective framework of governance, risk management and internal control along with the scope and basis of that opinion.

**RESOLVED:**

That the report and the internal audit annual opinion be received.

**14. ACTION TRACKING**

The Internal Audit Manager presented an update report on actions carried out to date from points raised at previous meeting of the Committee. All actions stated were either in progress or had been completed.

**RESOLVED:**

That the report be accepted.

**15. FORWARD WORK PROGRAMME**

The Committee received the report on the Forward Work Programme for the next year.

**RESOLVED:**

That the Forward Work Programme be accepted.

**16. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

There was one member of the press in attendance.

(The meeting started at 2.50 pm and ended at 5.00 pm)

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**Chairman**

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**  
**DATE:**               **WEDNESDAY, 15 JULY 2015**  
**REPORT BY:**       **CORPORATE FINANCE MANAGER**  
**SUBJECT:**           **DRAFT STATEMENT OF ACCOUNTS 2014/15**

### **1.00**   **PURPOSE OF REPORT**

**1.01**   To present the Statement of Accounts 2014/15 (subject to audit) for Members' information only at this stage.

### **2.00**   **BACKGROUND**

**2.01**   The Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the accounts, being 30<sup>th</sup> September.

### **3.00**   **CONSIDERATIONS**

#### **Audit Requirements**

**3.01**   The audit must be completed and the Statement of Accounts for 2014/15 approved and published by no later than 30<sup>th</sup> September 2015. At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustment to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final version of the Statement will be presented to Audit Committee on the morning of 24<sup>th</sup> September 2015, 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 2014/15 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS).

**3.04** The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the 2014/15 Code of Practice. The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

**3.05** The 2014/15 Code has prompted no material changes in the accounting policies of the Council. There have been no changes in the adopted estimation techniques and no material and unusual charges or credits are included within the accounts.

### **Information included within the Statement of Accounts**

**3.06** The Statement includes:

- The core financial statements, comprising – 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 pension fund accounts

### **Annual Governance Statement**

**3.07** The draft accounts also include the Annual Governance Statement which explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. A separate report on this agenda provides more detail.

## **4.00 RECOMMENDATIONS**

**4.01** Members are requested to note:

- (a) the draft Statement of Accounts 2014/15 (including the Annual Governance Statement), together with the underlying policies.
- (b) the planned provision of drop in session 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 Draft Statement of Accounts 2014/15

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

Various final accounts working papers

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# STATEMENT OF ACCOUNTS

2014-15



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## EXPLANATORY FOREWORD

The Statement of Accounts 2014/15 provides details of the Council's financial position for the year ended 31<sup>st</sup> March 2015. The information presented on pages 7 - 81 is in accordance with the requirements of the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements included are :-

- The core financial statements comprising of –
  - **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.

Headline figures – Usable reserves £54,189k; unusable reserves £217,412k;

- **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.

Headline figure – Deficit on the provision of services £22,001k; which is carried into 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'.

Headline figure – Net worth of the Council £271,601k as at 31<sup>st</sup> March 2015 representing an decrease from the balance sheet total of £362,386k as at 31<sup>st</sup> March 2014.

## EXPLANATORY FOREWORD

- **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.
- 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.

Headline figure – Decrease in HRA balance of £1,662k to £1,510k

- The pension fund accounts are presented in accordance with required guidance, in pages 82 to 108.

### Medium Term Financial Strategy

The Council has a Medium Term Financial Strategy (MTFS) which forecasts the amount of resource that the Council is likely to have over the next 3 years, identify any funding gap, and enable specific actions to be identified to balance the budget and manage resources. The MTFS gathers information from activity across all Council Fund services (but not the Housing Revenue Account), taking account of all costs pressures and efficiency savings anticipated over the 3 year period for both the revenue budget and the capital programme, including planned future developments in service delivery.

The revenue budget is that which covers the Council's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of capital expenditure (and revenue expenditure funded from capital under statute - REFCUS). The capital programme covers expenditure on the acquisition of significant assets which will be of use or benefit to the Council in providing its services beyond the year of account, such as the enhancement or replacement of roads, buildings and other structures.

### REVENUE BUDGET, OUTTURN AND OVERALL FINANCIAL POSITION

The Council Fund budget for 2014/15 was set at £255,176k (including Outcome Agreement grant) and approved by Council on 18<sup>th</sup> February 2014. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 14<sup>th</sup> July 2015.

The 2014/15 budget enabled the Council to develop its organisational change and redesign programme to reduce operating costs and remodel functions, whilst protecting 'front line' public services. During the year the operating model was restructured, resulting in a reduction of senior management costs along with significant reductions to overall workforce numbers and costs, to meet the challenge presented by cuts in Welsh Government funding.

Total net expenditure for 2014/15 amounted to £253,372k against the budget of £255,176k.



## EXPLANATORY FOREWORD

	2014/15 Budget £000	2014/15 Actual £000	Variance £000
Corporate Services :			
Chief Executive	3,151	3,111	(40)
People and Resources	5,029	4,999	(30)
Governance	8,388	8,489	101
	<u>16,568</u>	<u>16,599</u>	<u>31</u>
Social Services	58,046	58,168	122
Community and Enterprise	13,367	13,468	101
Streetscene and Transportation	29,558	29,642	84
Planning and Environment	5,644	5,420	(224)
Education and Youth	97,155	97,234	79
Organisational Change	8,923	8,778	(145)
<b>Net expenditure on services</b>	<b>229,261</b>	<b>229,309</b>	<b>48</b>
Central loans and investment account	15,509	14,880	(629)
Central and Corporate Finance	16,656	16,140	(516)
<b>Total net expenditure</b>	<b>261,426</b>	<b>260,329</b>	<b>(1,097)</b>
Contribution from reserves	(6,250)	(6,250)	0
<b>Budget requirement</b>	<b>255,176</b>	<b>254,079</b>	<b>(1,097)</b>
<b>Financed by</b>			
Council tax (net of community council precepts expenditure)	60,776	61,488	(712)
General grants	146,711	146,706	5
Non-domestic rates redistribution	47,689	47,689	0
<b>Total resources</b>	<b>255,176</b>	<b>255,883</b>	<b>(707)</b>
<b>Net variance - (underspend)</b>	<b>0</b>	<b>(1,804)</b>	<b>(1,804)</b>

The underspend of £1,097k, increased to £1,804k by way of additional Council Tax income £712k and a reduction of £5k general grants has served with other agreed funding transfers to produce a year-end Council fund revenue reserves total of £42,274k, which includes the unearmarked Council fund balance of £10,515k.

	2015 £000	Net Underspend £000	Other £000	2014 £000
Council fund (unearmarked) balance	10,515	1,804	(2,450)	11,161
Earmarked council fund reserves	29,143	0	(8,550)	37,693
Locally managed schools	2,616	0	(645)	3,261
<b>Total council fund revenue reserves</b>	<b>42,274</b>	<b>1,804</b>	<b>(11,645)</b>	<b>52,115</b>

## EXPLANATORY FOREWORD

### SOURCES OF CAPITAL FINANCING AND CAPITAL PROGRAMME BUDGET

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2014/15 Capital Programme was approved in the sum of £33,076k (Housing Revenue Account £12,106k and Council Fund £20,970k); this figure moved during the course of the year to a final programme total of £43,459k, (Housing Revenue Account £12,506k and Council Fund £30,953k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 14<sup>th</sup> July 2015.

The programme was financed by way of supported borrowing, other borrowing, capital receipts, capital grants and contributions, reserves and revenue account funding.

	<b>2015</b>
	<b>£000</b>
Supported borrowing *	4,316
Other borrowing (including Salix loans)	5,969
Capital receipts	1,282
Capital grants and contributions	21,803
Capital reserves/capital expenditure funded from revenue account	7,002
<b>Core financing</b>	<u>40,372</u>
Finance leases	0
<b>Total financing</b>	<u>40,372</u>

\* Cash reserves used in place of borrowing as detailed in Borrowing Facilities note on page 5.

### CAPITAL OUTTURN

The financing total of £40,372k supported capital expenditure (including REFCUS of £8,243k) across those programme areas detailed in the table below; the information included in this table is presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) form, for its published Local Government Finance Statistics

	<b>2015</b>
	<b>£000</b>
Education	9,245
Social services	642
Transport	6,083
Housing	15,744
Libraries, culture and heritage	16
Agriculture and fisheries *	540
Sport and recreation	378
Other environmental services	7,724
<b>Outturn</b>	<u>40,372</u>

\* Incorporating land drainage and flood prevention/coast protection (to which the Council's expenditure relates)

## **EXPLANATORY FOREWORD**

### **BORROWING FACILITIES**

No major long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2014/15 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total of £172,248k includes the sum of £135k relating to two interest free loans from Salix Finance Ltd. - an independent company funded by the Carbon Trust to help improve energy efficiency in public sector buildings - repayable over the period 2012/13 to 2018/19.

### **PENSION LIABILITY**

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 (£333,974k) is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Authority as reflected in the balance sheet total of £271,601k (£362,386k as at 31<sup>st</sup> March 2014).

### **IMPACT OF THE CURRENT ECONOMIC CLIMATE**

Approximately 80% of the funding for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2014/15, there was a decrease in funding of 3.36% which combined with significant pressures from factors outside of the Council's control increasing revenue costs including; inflation, demographic growth and a general increase in demand for Council services due to the continuing effects of the economic downturn. The impact of funding not keeping pace with increasing costs had significant consequences and will continue to do so in future years as this position is not expected to improve.

Despite this financial challenge, careful budget planning and monitoring delivered £7,675k of new efficiencies during 2014/15 enabling the Council to invest in priorities such as school budgets and social care and provide resources to re-shape services.

### **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 2014/15 (the last year of the current cycle, commencing 1<sup>st</sup> April 2010) 31% of non-dwelling assets were revalued. The overall impact of the 2014/15 revaluation process was a net decrease in the value of non-current property assets - property, plant and equipment, investment properties and the agricultural estate - recorded in the balance sheet (from £762,193k to £747,589k).

### **CHANGE IN ACCOUNTING POLICIES**

There have been no material changes to accounting policies during 2014/15. During the year minor changes to accounting policies were made to reflect changes in the Code of Practice and the way in which Council services are delivered they included; Joint Committees, Subsidiaries, Schools, and Non-current Assets - Schools

### **FURTHER INFORMATION**

The Statement of Accounts is available on the internet ([www.flintshire.gov.uk](http://www.flintshire.gov.uk)); any further information is available from the Corporate Finance Manager, Flintshire County Council, County Hall, Mold, CH7 6NA.

## 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 Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

**Signed :**

**Ray Hughes  
Chair to the County Council**

**Date :**

### THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer 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 Chief Finance Officer has :-

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

The Chief Finance Officer 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 31<sup>st</sup> March 2015, 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 31<sup>st</sup> March 2015 and the amount and disposition at that date of its assets and liabilities.

**Signed :**

**Gary Ferguson CPFA  
Corporate Finance Manager (Chief Finance Officer)**

**Date :**

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2015

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (those that can be applied to fund expenditure or reduce local taxation) and other (Unusable) Reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council'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.

	Council Fund Balance	Earmarked Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31st March 2014*</b>	11,161	39,292	1,662	4,293	3,804	<b>60,212</b>	302,174	<b>362,386</b>
Surplus/(deficit) on the provision of services	(10,130)	0	(11,871)	0	0	<b>(22,001)</b>	0	<b>(22,001)</b>
Other comprehensive income and expenditure	0	0	0	0	0	<b>0</b>	(68,784)	<b>(68,784)</b>
<b>Total comprehensive income and expenditure</b>	<b>(10,130)</b>	<b>0</b>	<b>(11,871)</b>	<b>0</b>	<b>0</b>	<b>(22,001)</b>	<b>(68,784)</b>	<b>(90,785)</b>
Adjustments between accounting and funding basis under regulations	5 441	0	11,719	2,471	1,347	<b>15,978</b>	(15,978)	<b>0</b>
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>(9,689)</b>	<b>0</b>	<b>(152)</b>	<b>2,471</b>	<b>1,347</b>	<b>(6,023)</b>	<b>(84,762)</b>	<b>(90,785)</b>
Transfers to/(from) earmarked reserves	21 9,043	(9,043)	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(decrease) in year</b>	<b>(646)</b>	<b>(9,043)</b>	<b>(152)</b>	<b>2,471</b>	<b>1,347</b>	<b>(6,023)</b>	<b>(84,762)</b>	<b>(90,785)</b>
<b>At 31st March 2015</b>	<b>10,515</b>	<b>30,249</b>	<b>1,510</b>	<b>6,764</b>	<b>5,151</b>	<b>54,189</b>	<b>217,412</b>	<b>271,601</b>

\* Prior Period Adjustment - See Note 38

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2014

	Council Fund Balance	Earmarked Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31st March 2013</b>	9,270	42,604	1,931	5,348	3,622	62,775	254,367	317,142
Surplus/(deficit) on the provision of services *	(14,553)	0	(8,556)	0	0	(23,109)	0	(23,109)
Other comprehensive income and expenditure *	0	0	0	0	0	0	66,797	66,797
<b>Total comprehensive income and expenditure *</b>	<b>(14,553)</b>	<b>0</b>	<b>(8,556)</b>	<b>0</b>	<b>0</b>	<b>(23,109)</b>	<b>66,797</b>	<b>43,688</b>
Adjustments between accounting and funding basis under regulations *	5 13,140	0	8,279	(1,055)	182	20,546	(20,546)	0
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>(1,413)</b>	<b>0</b>	<b>(277)</b>	<b>(1,055)</b>	<b>182</b>	<b>(2,563)</b>	<b>46,251</b>	<b>43,688</b>
Transfers to/(from) earmarked reserves	21 3,304	(3,312)	8	0	0	0	0	0
<b>Increase/(decrease) in year</b>	<b>1,891</b>	<b>(3,312)</b>	<b>(269)</b>	<b>(1,055)</b>	<b>182</b>	<b>(2,563)</b>	<b>46,251</b>	<b>43,688</b>
<b>At 31st March 2014 *</b>	11,161	39,292	1,662	4,293	3,804	60,212	300,618	360,830
Prior period adjustment **	0	0	0	0	0	0	1,556	1,556
<b>At 31st March 2014 Adjusted</b>	<b>11,161</b>	<b>39,292</b>	<b>1,662</b>	<b>4,293</b>	<b>3,804</b>	<b>60,212</b>	<b>302,174</b>	<b>362,386</b>

\* Prior period adjustment - see Note 38

\*\* Prior period adjustment - see Note 39

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2015

The Comprehensive Income and Expenditure 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 local 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.

	Note	2015			2014		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
<b>Service Expenditure Analysis</b>	<b>41</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adult social care		65,399	(15,267)	50,132	55,263	(8,223)	47,040
Central services to the public		4,337	(2,558)	1,779	3,285	(1,354)	1,931
Education and children's services		174,161	(39,253)	134,908	176,273	(28,204)	148,069
Cultural and related services		28,145	(17,458)	10,687	24,942	(11,144)	13,798
Environmental and regulatory services		27,518	(9,158)	18,360	24,366	(6,950)	17,416
Planning services		12,753	(7,639)	5,114	7,381	(3,281)	4,100
Highways and transport services		34,650	(14,124)	20,526	28,861	(10,385)	18,476
Housing services :							
Housing - Council fund		62,828	(47,909)	14,919	60,471	(45,472)	14,999
Housing revenue account (HRA)		38,270	(28,627)	9,643	34,716	(28,221)	6,495
Corporate and democratic core		8,249	(1,255)	6,994	6,357	(3)	6,354
Non distributed costs		(6,175)	0	(6,175)	(1,608)	0	(1,608)
<b>Cost of services *</b>		<b>450,135</b>	<b>(183,248)</b>	<b>266,887</b>	<b>420,307</b>	<b>(143,237)</b>	<b>277,070</b>
Other Operating Expenditure	2			23,750			22,923
Financing and Investment Income and Expenditure	3			20,617			15,875
Taxation and Non-Specific Grant Income	4			(289,253)			(292,759)
<b>(Surplus)/deficit on the provision of services *</b>				<b>22,001</b>			<b>23,109</b>
(Surplus)/deficit arising on revaluation of non-current assets *				(637)			(10,263)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(3)			0
Actuarial (gains) or losses on pension assets and liabilities				69,424			(56,534)
<b>Total comprehensive income and expenditure</b>				<b>90,785</b>			<b>(43,688)</b>

\* Prior period adjustment - see Note 38.

## BALANCE SHEET

as at 31<sup>st</sup> March 2015

		2015		2014	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>6</b>				
Council dwellings		256,295		263,031	
Other land and buildings *		271,696		273,562	
Vehicles, plant, furniture and equipment		16,272		16,347	
Surplus assets		7,426		7,807	
Infrastructure assets		156,781		155,600	
Community assets		4,543		4,720	
Assets under construction		3,771		4,582	
<b>Total Property, Plant &amp; Equipment</b>			716,784		725,649
Investment properties and Agricultural Estate	7		30,805		36,544
Intangible assets	9		394		581
Long term investments	10		0		2,021
Long term debtors	11		2,072		1,879
<b>NON-CURRENT ASSETS TOTAL</b>			<u>750,055</u>		<u>766,674</u>
<b>CURRENT ASSETS</b>					
Inventories	12	1,038		1,202	
Short term debtors (net of impairment provision)	13	33,733		38,040	
Short term investments	14	2,115		6,781	
Cash and cash equivalents	15	42,745		40,505	
Assets held for sale	8	2,744		803	
Donated assets	30	0		1,136	
<b>CURRENT ASSETS TOTAL</b>			<u>82,375</u>		<u>88,467</u>
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months	16	(1,555)		(1,454)	
Short term creditors	17	(31,197)		(31,637)	
Provision for accumulated absences	19	(3,296)		(3,376)	
Deferred liabilities	42	(529)		(492)	
Grants receipts in advance	18	(2,573)		(2,130)	
Provisions	19	(2,352)		(806)	
Donated assets account	30	0		(1,136)	
<b>CURRENT LIABILITIES TOTAL</b>			<u>(41,502)</u>		<u>(41,031)</u>
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	17	(1,016)		(2,251)	
Long term borrowing	20	(172,248)		(172,700)	
Deferred liabilities	44	(6,531)		(7,060)	
Provisions	19	(4,061)		(10,179)	
Other long term liabilities	46	(333,974)		(258,417)	
Grants receipts in advance	18	(1,497)		(1,117)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			<u>(519,327)</u>		<u>(451,724)</u>
<b>NET ASSETS</b>			<u>271,601</u>		<u>362,386</u>



## BALANCE SHEET

	Note	2015		2014	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>	<b>21</b>				
Capital receipts reserve		6,764		4,293	
Capital grants unapplied		5,151		3,804	
Council fund		10,515		11,161	
Earmarked reserves		30,249		39,292	
Housing revenue account		1,510		1,662	
<b>USABLE RESERVES TOTAL</b>			54,189		60,212
<b>UNUSABLE RESERVES</b>	<b>22</b>				
Revaluation reserve *		57,895		60,536	
Available-for-sale financial instruments reserve		0		(3)	
Capital adjustment account * **		504,216		516,324	
Financial instruments adjustment account		(7,545)		(7,912)	
Pensions reserve		(333,974)		(258,417)	
Equal pay account		0		(4,978)	
Deferred capital receipts		116		0	
Accumulated absences account		(3,296)		(3,376)	
<b>UNUSABLE RESERVES TOTAL</b>			217,412		302,174
<b>TOTAL RESERVES</b>			<u>271,601</u>		<u>362,386</u>

\* Prior period adjustment - see Note 38

\* \*\* Prior period adjustment - see Note 39

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories –

- Usable Reserves - 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 (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable Reserves - those reserves that the Authority is unable to use to provide services, including reserves that hold unrealised gains and losses (e.g. 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**  
for the year ended 31<sup>st</sup> March 2015

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 (i.e. borrowing) to the Authority.

The cash flow statement is reported using the indirect method, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

	Note	2015		2014	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services *		(22,001)		(23,109)	
Adjustment to surplus or deficit on the provision of services for non-cash movements *		50,647		52,694	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(27,357)</u>		<u>(20,677)</u>	
Net cash outflows from operating activities	<b>24</b>		1,289		8,908
Net cash flows from investing activities	<b>25</b>	1,797		(2,838)	
Net cash flows from financing activities	<b>26</b>	<u>(846)</u>		<u>87</u>	
			951		(2,751)
<b>Net increase or decrease in cash and cash equivalents</b>			<u>2,240</u>		<u>6,157</u>
Cash and cash equivalents at the beginning of the reporting period	<b>15</b>		40,505		34,348
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15</b>		<b>42,745</b>		<b>40,505</b>

\* Prior period adjustment - see Note 38

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31<sup>st</sup> March 2015

### INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the accounting policies set out at Note 1. The notes that follow (1 to 46) set out supplementary information to assist readers of the accounts.

### 1. STATEMENT OF ACCOUNTING POLICIES

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### Accounting Standards Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has introduced the following changes, amendments and interpretations to existing standards. They are mandatory for the Council's accounting periods beginning on or after 1<sup>st</sup> April 2015 or later periods and will require changes to accounting policies in next years accounts, but the Council has not early adopted them.

If these had been adopted for the financial year 2014/15 there would be no material changes as detailed below:

- IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and applies to assets and liabilities measured at fair value. The valuation method for surplus assets (assets not currently being used to deliver services, or meeting criteria to be classed as investment properties or held for sale) will change from existing use based on their use as an operational asset to a market valuation. Given that the Council has a limited number of surplus assets the change is not expected to be material.
- Annual Improvements to IFRSs. These are minor changes to clarify existing IFRs and are not expected to have a material effect on the Council's accounts.
- IFRIC 21 Levies. Identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

#### Critical Judgements and Assumptions Made

In preparing the Statement of Accounts, the Council has had to make judgements, estimates and assumptions for certain items that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience, current trends and other relevant factors that are considered to be reasonable and are used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. However, because these cannot be determined with certainty, actual results could be materially different from those assumptions and estimates made.

The significant accounting estimates within the Statement of Accounts relate to non current assets and the impairment of financial assets.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities.

Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements made and key sources of estimation uncertainty identified by the Council which have a significant effect on the financial statements are:

- **Future Levels of Government Funding and Levels of Reserves** – The future levels of funding for local authorities has a high degree of uncertainty. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Council's track record in financial management. The Council's budget strategy for 2015/16 was approved in February 2015 and can be found on the Council's website.
- **Retirement Benefit Obligations** – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation.
- **Provisions** – The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date.
- **Impairment of Financial Assets** – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt.
- **Property, Plant and Equipment** – Assets are depreciated over their useful life and reflect such matters as the level of repairs and maintenance that will be incurred in relation to individual types of asset, cost of replacement and assuming prudent maintenance, an estimate of the unexpired useful life of the asset.
- **Asset Valuations** – The Council values its non current assets on the basis of Fair Value, with the exception of the Housing Stock which is valued to 'Existing Use Value – Social Housing'. The Council exercises judgement on whether there is market evidence to value the asset on the basis of Fair Value and where there is no such evidence, the Council uses a depreciated replacement cost (DRC) approach.
- **Group Accounts** – The Council has exercised judgement in its decision not to produce group accounts incorporating the wholly owned subsidiary, North East Wales Homes and Property Management (NEW Homes). The Council judges that the decision will not materially distort the readers understanding of the Council's financial position, performance and cash flows, electing to produce a disclosure note (Note 30) that fully explains the arrangements and their effects instead.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Accounting Policies

#### Accruals of Income and Expenditure

The revenue and capital accounts of the Council 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 31<sup>st</sup> March 2015. In particular:-

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

#### Borrowing Costs

The Council has elected to adopt the adaptation by the Code in respect of IAS 23 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 £10k 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.

#### Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in the first year of the second phase running from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2019.

The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is apportioned to services on the basis of energy consumption, and is recognised and reported in the costs of services.

#### Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Charges to Revenue for Non Current Assets

Services and support services are charged with the following amounts to record the cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.
- The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's MRP is calculated in accordance with the 2014/15 MRP Policy Statement agreed by Council in February 2014 and Welsh Government Guidance on MRP. The Council's Policy is to:

- Charge a minimum revenue provision equal to 2% of debt outstanding for the housing revenue account and 4% for the council fund, on capital expenditure incurred before 1<sup>st</sup> April 2008 and on future supported capital expenditure.
- Capital expenditure incurred on or after 1<sup>st</sup> April 2008 and funded by prudential borrowing will be repaid based on the useful asset life of the asset using equal annual instalments.

In addition, the Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefit. A breakdown of MRP charged for the year is disclosed in Note 40.

### Employee Benefits

#### *Benefits Payable during Employment*

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, (but then reversed out through the Movement in Reserves Statement) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### *Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructure.

## NOTES TO THE CORE FINANCIAL STATEMENTS

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### ***Post Employment Benefits***

Employees of the Council are members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, Clwyd Pension Fund (administered by Flintshire County Council).

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### ***The Local Government Pension Scheme***

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Net Interest on the net defined benefit liability – the net interest expense for the Council, the change during the period that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Calculated as interest on pension liabilities less the interest on assets. The value of liabilities is calculated by discounting the expected future benefit payments for the period between the expected payment date and the date at which they are being valued. Interest on assets is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- Administration expenses – the costs of running the fund attributable to the Council, does not include investment management expenses – debited to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charge to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Clwyd pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund / HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### ***Discretionary Benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Instruments

#### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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.

#### *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:*

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in 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 of the financial 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, as determined in the loan agreement.

#### *Available-for-Sale Assets:*

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable, are based on the amortised cost of 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
- Other instruments with fixed and determinable payments / discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain / loss for the asset accumulated in the Available-for-Sale 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential realised using the grant or contribution are required to be consumed by the recipient as specified or must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Grants Receipts in Advance).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in 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 reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Heritage Assets**

Heritage assets are those assets that the Council intends to preserve in trust for future generations because of their cultural, environmental or historical associations. The Council's heritage assets include historical buildings, its archive (record office) collections, and museum collections.

#### ***Historical Buildings:-***

The Council's historical buildings are located primarily in the Greenfield Valley Heritage Park. Historical buildings are classified as operational or non-operational.

#### ***Operational***

If in addition to being held for their heritage characteristics, they are used for other activities or to provide other services; they are valued in the same way as other buildings of that general asset type, and accounted for as operational assets.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### ***Non-Operational***

If held for their heritage characteristics only; they are valued in accordance with FRS 30 (Heritage Assets). Consideration has been given to the categorisation and valuation of these assets on the basis of their existing and any potential alternative use. The majority of these do not command a market value and given their nature such value cannot be made on replacement cost basis; as such, historical cost measurement is considered appropriate where records are held. In accounting for these assets, it is recognised that the acquisition of the majority of them pre-date the existence of the current administrative authority (i.e. pre 1996 Local Government Re-organisation), and thereby prevents the collection of accurate/total historical cost information for accounting purposes.

### ***Collections:-***

#### ***County Archives***

The archives, ranging from a single piece of paper to thousands of documents, are held under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase.

The majority of archives are held on deposit. No attempt has been made to assign a cash or insurance value to this irreplaceable historical and cultural heritage, although in cases where the archives have been purchased, records of their saleroom value at the time may exist. Obtaining a valuation of all the owned assets would be a lengthy, resource intensive and costly exercise, and any market value placed on these assets would not be a true reflection of the value of the assets to the County's heritage; the assets, if lost, could not be replaced or reconstructed. Consequently, the Council does not recognise these assets on the Balance Sheet.

A small number of items are artefacts rather than documentary material which forms the large majority of the holdings, and as such are exceptions. The Council considers it appropriate to insure the artefacts even though it does not own them; their historical insurance value is £174,415 and is not considered material for reporting/disclosure purposes.

#### ***County Museum:-***

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 100 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder is held in an off-site store. The majority of the collection items have been donated. The vast majority of the collection cannot be valued because of its diverse and unique nature. Conventional valuation approaches lack sufficient reliability and the cost of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. As with the County Archives collection, the Council does not recognise these assets on the Balance Sheet.

### ***Intangible Assets***

Intangible assets are non-monetary assets without physical substance. Expenditure on intangible assets is capitalised only where it is expected 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 £10k below which the requirements of capital accounting will not be applied is in place.

Intangible assets are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Amortisation commences the first full year following acquisition / addition.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### Inventory

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:-

- Halkyn Depot (Highways maintenance and rock salt) Weighted average
- Alltami Depot (Grounds & vehicle maintenance and rock salt) Weighted average
- Alltami Depot (Fleet fuel) FIFO (first in first out)
- Canton Depot (Building maintenance) FIFO
- All other stock is measured at cost

### 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.

### 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 are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (and for any sale proceeds greater than £10k, 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Joint Committees

The Council recognises on the Balance Sheet the assets that it controls and the liabilities that it incurs from the activity of any service delivered in conjunction with other parties, and reflects within the Comprehensive Income and Expenditure Statement the expenditure it incurs, and the share of income it earns from such.

### 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. 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.

### Overheads and Support Services

The costs of centrally provided support services and administrative buildings have been charged to services in line with the 2014/15 Service Reporting Code of Practice (SeRCOP). 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment that is deemed to enhance the value of an asset is initially capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Such assets are subsequently revalued in-year and impaired or revalued as appropriate to ensure they are held at the correct carrying value.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

#### Measurement

Assets are initially measured at cost, comprising:-

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Donated assets are assets that have been transferred to the Council at nil or less than fair value consideration and are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non- Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Assets are then carried in the Balance Sheet using the following measurement bases:-

- Council dwellings – fair value, determined using the existing use value for social housing (EUV – SH).
- Infrastructure assets – depreciated historical cost.
- Vehicles, plant, furniture and equipment – depreciated historical cost.
- All other operational assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Community assets – historical cost and not depreciated.
- Investment property – market value and not depreciated.
- Assets held for sale – lower of value before classified as held for sale and market value, and not depreciated.
- Surplus assets – fair value (existing use value)
- Assets under construction – historical cost.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

### Revaluation

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2014/15 approximately 31% of non-dwelling assets were revalued.

The valuation methodology used for the HRA Housing Stock is the Beacon Approach, an adjusted vacant possession value technique based on the value of the property assuming vacant possession, with an adjustment factor to reflect continued occupation by a secured tenant. This methodology - the most widely adopted amongst local authorities in Wales - is the methodology that is most likely to produce consistent valuations of similar HRA properties in different local authorities. The fair value of council dwellings is measured using existing use value – social housing (EUV–SH) as defined by RICS Valuation Standards, being the estimated amount for which a property should exchange (on the date of valuation) between a willing buyer and a willing seller, in an arm's-length transaction.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Impairment

Assets are reviewed for impairment at the end of each reporting period to ensure that they are not carried at a value higher than their recoverable amount. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage).

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:-

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of any accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful life. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (i.e. assets under construction). Depreciation on new assets is charged from the first full year following addition in the case of all assets other than those acquired under finance leases, for which provision is made from the year of addition.

Depreciation is calculated on a straight line basis, assuming nil residual values for all property plant and equipment, with the most common useful lives being:-

	Years
Buildings	50
Vehicles, plant, furniture and equipment	3-10
Infrastructure assets	40

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.

### Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose estimated useful life is significantly different from the useful life of the main asset, the components are depreciated separately.

A de minimis materiality level of £2.5m for the asset value 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 value is 20% or more of the total current value of the asset.



## NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Derecognition of Property, Plant and Equipment**

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset 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.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as Capital Receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### Schools

All of the Council's maintained schools are considered to be entities controlled by the Council. In line with the requirements of the code the Council accounts for its maintained schools within its single entity financial statements. This includes school income, expenditure, assets, liabilities, reserves and cash flows.

#### Non-current Assets - Schools

Non-current assets of Community schools are owned by the Council and are included in the Balance Sheet.

Voluntary Aided and Voluntary Controlled school buildings are owned by religious bodies and therefore are not recognised on the Balance Sheet. Any land and/or playing fields that are owned by the Council at Voluntary Aided / Controlled schools is included on the Balance Sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council's single Foundation school is owned by the governors of the school and is therefore included in the Balance Sheet. This is a change in accounting policy, however as its impact is not material the change has been applied to the opening balances on the balance sheet.

### **Subsidiaries**

The Council wholly owns a company called North East Wales Homes and Property Management (NEW Homes), and therefore controls this entity. Group accounts have not been prepared as the both the qualitative and quantitative aspects of consolidation are not material to the group accounts. Note 30 provides further information about North East Wales Homes.

The Council accounts for investments in subsidiaries at cost.

### **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.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

### **Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. OTHER OPERATING EXPENDITURE

	2015	2014
	£000	£000
Precept - North Wales Police and Crime Commissioner	13,998	13,443
Other preceptors - Community Councils	2,387	2,323
Levy - North Wales Fire and Rescue Authority	7,019	6,955
Net gain on the disposal of non-current assets	(72)	(200)
Admin. expenses on the net defined benefit liability	418	402
	23,750	22,923

### 3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,617k (£15,875k in 2013/14), incorporates the investment losses and investment expenditure detailed below.

	2015	2014
	£000	£000
Interest payable and similar charges	10,212	10,063
Investment losses and investment expenditure (see note below)	4,168	2,665
Net interest on the net defined benefit liability (see note 46)	10,814	12,250
Interest and investment income	(4,577)	(9,103)
	20,617	15,875

#### Investment Losses and Investment Expenditure

The following entries have been recognised:

	2015		2014		£000
	£000	£000		£000	£000
Revaluation Losses on Investment property		2,988		1,741	
Impairment adjustments - LBI	0		17		
Less interest accrued - LBI	0		(81)		
		0		(64)	
Investment (properties) expenditure		2,988		1,677	
		1,180		988	
		4,168		2,665	

### 4. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2015	2014
	£000	£000
Council tax income	(77,873)	(75,006)
Non-domestic rates	(47,689)	(46,872)
Non-ringfenced government grants	(146,706)	(155,067)
Capital grants and contributions	(16,985)	(15,814)
	(289,253)	(292,759)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Council Tax

All domestic properties are included in the Council Tax Valuation List which is issued and maintained by the Valuation Office Agency, part of HMRC. Each property is placed in one of nine property bands (Band A to Band I) depending on the open market valuation of the dwelling at 1<sup>st</sup> April 2003 (otherwise known as the valuation date). A tenth band (A-) is only available to those taxpayers who live in band 'A' properties and are entitled to a disabled banding reduction.

Council Tax is payable based on the valuation band into which a property has been placed by the Valuation Office Agency. Gross charges are calculated by dividing the total income requirements of the County Council, Police and Crime Commissioner for North Wales and Town/Community Councils by the council tax base.

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts.

The tax base for 2014/15 was 61,501 band 'D' equivalent properties (60,254 in 2013/14) as calculated in the following table:

	Valuation Band										Total	
	A -	A	B	C	D	E	F	G	H	I		
<b>Chargeable Dwellings</b>												
Number of chargeable dwellings	0	3,854	8,882	19,344	12,031	9,948	6,791	3,011	567	232	64,660	
Dwellings with disabled reliefs	0	16	53	118	104	127	87	42	9	20	576	
Adjusted chargeable dwellings	16	3,891	8,947	19,330	12,054	9,908	6,746	2,978	578	212	64,660	
<b>Adjusted Chargeable Dwellings</b>												
Dwellings with no discounts	8	1,221	4,821	12,444	8,393	7,477	5,541	2,527	489	188	43,109	
Dwellings with one discount	8	2,670	4,122	6,879	3,650	2,420	1,198	444	70	20	21,481	
Dwellings with two discounts	0	0	4	7	11	11	7	7	19	4	70	
Discounted chargeable dwellings	16	3,891	8,947	19,330	12,054	9,908	6,746	2,978	578	212	64,660	
<b>Discounted Chargeable Dwellings</b>												
Total discounted dwellings	14	3,224	7,915	17,607	11,136	9,298	6,443	2,864	551	205	-	
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	8	2,149	6,156	15,650	11,136	11,364	9,307	4,773	1,102	478	62,122	
											Collection rate adjustment (at 1%)	621
											Exempt properties adjustment	0
											<b>Council Tax Base 2014/15</b>	<b>61,501</b>

The Flintshire County Council precept for a band 'D' property in 2014/15 was £988.21 (£959.43 in 2013/14). 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

Other precepts added to 2014/15 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £13,998k (£13,443k in 2013/14) and 34 Town and Community Councils who collectively raised precepts totalling £2,387k (£2,323k in 2013/14).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2015	2014
	£000	£000
Council tax collected	78,203	75,202
Increase/Decrease in bad debts provision	65	(92)
Less - Amounts written off to provision	(395)	(104)
	77,873	75,006
Less - Payable to North Wales Police and Crime Commissioner	(13,998)	(13,443)
	63,875	61,563

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2014/15 was 47.3p for all properties (46.4p in 2013/14). 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. 2014/15 NDR income paid into the pool was £59,759k after relief and provisions (£58,659k in 2013/14), based on a year end rateable value total of £151,494k (£151,912k in 2013/14).

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

	2015	2014
	£000	£000
Non-domestic rates collected	59,595	59,524
Less - Paid into NDR pool	(59,759)	(58,659)
Less - Cost of collection	(362)	(363)
Increase/Decrease in bad debts provision	45	(502)
Relief Schemes	481	0
	0	0
Receipts from pool	47,689	46,872
	47,689	46,872

## 5. 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 expenditure. The debit adjustment for the year is £15,978k (£20,546k debit in 2013/14).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves					Unusable Reserves
	Council Fund Balance	Council Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
<b>2014/15</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>						
Charges for depreciation and impairment of non current assets	10,778	0	18,771	0	0	(29,549)
Revaluation losses on Property, Plant and Equipment	9,978	0	0	0	0	(9,978)
Amortisation of intangible assets	184	0	3	0	0	(187)
Movements in the market value of Investment Properties	1,774	0	0	0	0	(1,774)
Capital grants and contributions applied	0	0	0	0	(21,803)	21,803
Revenue expenditure funded from capital under statute	8,125	0	0	0	0	(8,125)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,990	0	997	0	0	(3,987)
<b>Inclusion of items not debited or credited to the CIES:</b>						
Statutory provision for the financing of capital investment	(7,130)	0	(528)	(570)	0	8,228
Capital expenditure charged against the Council Fund and HRA balances	(117)	0	(6,885)	0	0	7,002
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	(23,150)	0	0	0	23,150	0
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,358)	0	(865)	4,324	0	(101)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(1,283)	0	1,283
<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	(222)	0	(144)	0	0	366
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	29,767	0	1,578	0	0	(31,345)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,039)	0	(1,173)	0	0	25,212
<b>Adjustment involving the Equal 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	(4,978)	0	0	0	0	4,978
<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	(45)	0	(35)	0	0	80
<b>Adjustments involving the Deferred Capital Receipts Account:</b>						
Transfer from CIES to deferred Capital Receipts Reserve	(116)	0	0	0	0	116
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>441</b>	<b>0</b>	<b>11,719</b>	<b>2,471</b>	<b>1,347</b>	<b>(15,978)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves					Unusable Reserves
	Council Fund Balance	Council Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
<b>2013/14</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>						
Charges for depreciation and impairment of non current assets *	3,196	0	14,291	0	0	(17,487)
Revaluation losses on Property, Plant and Equipment	30,496	0	0	0	0	(30,496)
Movements in the market value of Investment Properties	(3,593)	0	0	0	0	3,593
Amortisation of intangible assets	123	0	(8)	0	0	(115)
Capital grants and contributions applied	0	0	0	0	(17,471)	17,471
Revenue expenditure funded from capital under statute	3,513	0	0	0	0	(3,513)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,126	0	642	0	0	(2,768)
<b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(7,143)	0	(542)	(370)	0	8,055
Capital expenditure charged against the Council Fund and HRA balances	(432)	0	(5,942)	0	0	6,374
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	(17,653)	0	0	0	17,653	0
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,472)	0	(554)	3,026	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(3,711)	0	3,711
<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	(297)	0	(174)	0	0	471
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	29,864	0	1,473	0	0	(31,337)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,955)	0	(949)	0	0	21,904
<b>Adjustment involving the Equal 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	(4,357)	0	0	0	0	4,357
<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	724	0	40	0	0	(764)
<b>Adjustments involving the Deferred Capital Receipts Account:</b>						
Transfer from deferred Capital Receipts Reserve to CIES	0	0	2	0	0	(2)
<b>Adjustments between accounting basis &amp; funding basis under regulations *</b>	<b>13,140</b>	<b>0</b>	<b>8,279</b>	<b>(1,055)</b>	<b>182</b>	<b>(20,546)</b>

\* Prior Period Adjustment - see note 38



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. PROPERTY PLANT AND EQUIPMENT

#### Movements 2014/15

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2014	293,335	316,049	27,096	7,848	213,359	4,720	4,582	866,989
Opening Balance Adjustment **	0	1,556	0	0	0	0	0	1,556
Reclassifications *	0	(170)	644	0	(297)	(177)	0	0
<b>Total</b>	<b>293,335</b>	<b>317,435</b>	<b>27,740</b>	<b>7,848</b>	<b>213,062</b>	<b>4,543</b>	<b>4,582</b>	<b>868,545</b>
Additions and Acquisitions	12,422	8,266	1,766	21	6,623	0	3,031	32,129
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,126)	0	(84)	0	0	0	(1,210)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(20,391)	0	(625)	0	0	0	(21,016)
Assets Derecognised	0	0	(2,254)	0	0	0	(140)	(2,394)
Reclassifications	(395)	(1,086)	0	669	0	0	0	(812)
Other movements in cost or valuation	0	4,130	0	117	0	0	(3,702)	545
<b>At 31st March 2015</b>	<b>305,362</b>	<b>307,228</b>	<b>27,252</b>	<b>7,946</b>	<b>219,685</b>	<b>4,543</b>	<b>3,771</b>	<b>875,787</b>
<b>Accumulated Depreciation and Impairment</b>								
As At 1st April, 2014	(30,304)	(44,043)	(10,749)	(41)	(57,759)	0	0	(142,896)
Reclassifications	0	276	(547)	0	297	(26)	0	0
<b>Total</b>	<b>(30,304)</b>	<b>(43,767)</b>	<b>(11,296)</b>	<b>(41)</b>	<b>(57,462)</b>	<b>(26)</b>	<b>0</b>	<b>(142,896)</b>
Depreciation charge	(5,110)	(8,649)	(3,331)	(19)	(5,489)	0	0	(22,598)
Depreciation written out to the Revaluation Reserve	0	1,540	0	0	0	0	0	1,540
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,103	0	0	0	0	0	3,103
Impairments written out to the Revaluation Reserve	0	404	0	5	0	0	0	409
Impairments recognised in the Revaluation Reserve	(29)	(1,547)	0	(12)	0	0	0	(1,588)
Reversal of Impairments recognised in the Surplus/Deficit	0	7,194	1,393	45	47	0	0	8,679
Impairments written out to Surplus/Deficit on the Provision of Services	0	8,392	0	(45)	0	26	0	8,373
Impairments recognised in the Surplus/Deficit on the Provision of Services	(13,624)	(2,313)	0	(397)	0	0	0	(16,334)
Assets Derecognised	0	0	2,254	0	0	0	0	2,254
Assets reclassified (to)/from Held for Sale	0	111	0	(56)	0	0	0	55
<b>At 31st March 2015</b>	<b>(49,067)</b>	<b>(35,532)</b>	<b>(10,980)</b>	<b>(520)</b>	<b>(62,904)</b>	<b>0</b>	<b>0</b>	<b>(159,003)</b>
<b>Balance Sheet at 31st March 2015</b>	<b>256,295</b>	<b>271,696</b>	<b>16,272</b>	<b>7,426</b>	<b>156,781</b>	<b>4,543</b>	<b>3,771</b>	<b>716,785</b>
<b>Balance Sheet at 1st April 2014</b>	<b>263,031</b>	<b>272,006</b>	<b>16,347</b>	<b>7,807</b>	<b>155,600</b>	<b>4,720</b>	<b>4,582</b>	<b>724,093</b>
<b>Nature of Asset Holding</b>								
Owned	256,295	271,696	9,768	7,426	156,781	4,543	3,771	710,281
Finance Lease	0	0	6,504	0	0	0	0	6,504
<b>At 31st March 2015</b>	<b>256,295</b>	<b>271,696</b>	<b>16,272</b>	<b>7,426</b>	<b>156,781</b>	<b>4,543</b>	<b>3,771</b>	<b>716,785</b>

\* During the year the asset register was reviewed, and as a result minor asset reclassifications were necessary

\*\* Prior Period Adjustment see Note 39

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2013/14

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2013	280,892	351,023	24,881	5,525	206,510	4,749	544	874,124
Additions and Acquisitions	12,890	8,191	2,215	0	6,849	0	4,038	34,183
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	3,659	0	12	0	0	0	3,671
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(46,883)	0	638	0	0	0	(46,245)
Assets Derecognised	0	(308)	0	(99)	0	(29)	0	(436)
Reclassifications	(447)	367	0	1,772	0	0	0	1,692
At 31st March 2014	293,335	316,049	27,096	7,848	213,359	4,720	4,582	866,989

### Accumulated Depreciation and Impairment

As At 1st April, 2013	(10,594)	(78,739)	(6,359)	(114)	(52,088)	(29)	0	(147,923)
Depreciation charge	(5,208)	(8,494)	(3,544)	(26)	(5,327)	0	0	(22,599)
Depreciation written out to the Revaluation Reserve	0	14,316	0	0	0	0	0	14,316
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,080	0	0	0	0	0	3,080
Impairments written out to the Revaluation Reserve	0	2,427	0	(7,588)	0	0	0	(5,161)
Impairments recognised in the Revaluation Reserve	(9,383)	(8,740)	0	0	0	0	0	(18,123)
Reversal of Impairments recognised in the Surplus/Deficit	0	13,285	0	7,588	0	0	0	20,873
Impairments written out to Surplus/Deficit on the Provision of Services	0	19,973	0	0	0	0	0	19,973
Impairments recognised in the Surplus/Deficit on the Provision of Services	(5,119)	(1,204)	(846)	0	(344)	0	0	(7,513)
Assets Derecognised	0	308	0	99	0	29	0	436
Assets reclassified (to)/from Held for Sale	0	(255)	0	0	0	0	0	(255)
At 31st March 2014	(30,304)	(44,043)	(10,749)	(41)	(57,759)	0	0	(142,896)
Balance Sheet at 31st March 2014	263,031	272,006	16,347	7,807	155,600	4,720	4,582	724,093
Balance Sheet at 1st April 2013	270,298	272,283	18,522	5,411	154,422	4,720	544	726,200

### Nature of Asset Holding

Owned	263,031	272,006	9,155	7,807	155,600	4,720	4,582	716,901
Finance Lease	0	0	7,192	0	0	0	0	7,192
At 31st March 2014	263,031	272,006	16,347	7,807	155,600	4,720	4,582	724,093

### 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.
- 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, recreational and play areas and cemetery land.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2015 £000	2014 £000
<b>Cost or Valuation</b>		
At 1st April	36,544	34,386
Ex Ad Waste Assets Incorporated in 2012/13	0	45
Reclassifications	(3,740)	(1,571)
Revaluation Increases/Decreases to Surplus/Deficit	(1,999)	3,593
Reversal of Losses to Surplus/Deficit	0	91
At 31st March	30,805	36,544
<b>Depreciation and Impairments</b>		
At 1st April	0	(255)
Reclassifications	0	255
At 31st March	0	0
Balance Sheet at 31st March	30,805	36,544

### 8. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2014</b>	<b>232</b>	<b>0</b>	<b>571</b>	<b>803</b>
Assets newly classified as held for sale	435	727	3,428	4,590
Assets declassified as held for sale	(47)	0	(45)	(92)
Net Reclassifications	388	727	3,383	4,498
Revaluation gains	499	877	402	1,777
Revaluation losses	0	(139)	(209)	(348)
Net Revaluations	499	738	193	1,429
Assets sold	(1,030)	(966)	(1,990)	(3,986)
At 31st March 2015	89	499	2,157	2,744
<b>At 1st April 2013</b>	<b>283</b>	<b>1,790</b>	<b>1,701</b>	<b>3,774</b>
Assets newly classified as held for sale	447	41	758	1,246
Assets declassified as held for sale	0	(1,125)	(246)	(1,371)
Net Reclassifications	447	(1,084)	512	(125)
Revaluation gains	144	0	178	322
Revaluation losses	0	0	(400)	(400)
Net Revaluations	144	0	(222)	(78)
Assets sold	(642)	(706)	(1,420)	(2,768)
At 31st March 2014	232	0	571	803

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. INTANGIBLE ASSETS

	2015			2014		
	Software Licences £000	Development Expenditure £000	Total £000	Software Licences £000	Development Expenditure £000	Total £000
Balance at 1st April						
Gross carrying amounts	648	607	1,255	564	607	1,171
Accumulated amortisation	(294)	(380)	(674)	(181)	(293)	(474)
Net carrying amount	<u>354</u>	<u>227</u>	<u>581</u>	<u>383</u>	<u>314</u>	<u>697</u>
Additions	29	0	29	84	0	84
Amortisation for the period	(129)	(87)	(216)	(113)	(87)	(200)
Balance at 31st March	<u>254</u>	<u>140</u>	<u>394</u>	<u>354</u>	<u>227</u>	<u>581</u>
Comprising:						
Gross carrying amounts	677	607	1,284	648	607	1,255
Accumulated amortisation	(423)	(467)	(890)	(294)	(380)	(674)
Total	<u>254</u>	<u>140</u>	<u>394</u>	<u>354</u>	<u>227</u>	<u>581</u>

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy. The amortisation of £216k charged to revenue in 2014/15 (£200k in 2013/14) is absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

### 10. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at fair value. Further information is included in note 45.

	2015 £000	2014 £000
War stock	0	14
Banks / Building Society Deposits	0	2,007
Total	<u>0</u>	<u>2,021</u>

The Council has an investment in a wholly owned subsidiary called North East Wales Homes and Property Management (NEW Homes) accounted for at cost £1 in accordance with the accounting policy on subsidiaries. Note 30 provides further information on NEW Homes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. LONG TERM DEBTORS

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Other entities and individuals	2,072	1,879
<b>Total</b>	<b>2,072</b>	<b>1,879</b>

Analysis of long term debtors classified as 'Other entities and individuals' :-

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Renewal and improvement loans	1,669	1,571
First time buyer loans	100	100
Assisted car purchase loans	131	166
Affordable housing deposits	116	0
Private street works	44	42
Loan to NEW Homes (Housing Company)	12	0
<b>Total</b>	<b>2,072</b>	<b>1,879</b>

### 12. INVENTORIES

The Council holds total inventories of £1,038 (£1,202k in 2013/14) in the balance sheet as at 31<sup>st</sup> March 2015.

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Building Maintenance	112	115
Highways Maintenance	213	250
Fuel	41	34
Vehicle Maintenance	53	39
Rock Salt	328	425
Catering	120	134
Recycling Equipment	58	66
Leisure Centres *	37	61
Miscellaneous *	76	78
<b>Total</b>	<b>1,038</b>	<b>1,202</b>

\* 13/14 totals restated to extract £61k Leisure Centre inventories from miscellaneous.

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>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Highways maintenance	357	261
Fleet fuel, grounds maintenance and vehicle maintenance	792	576
<b>Total</b>	<b>1,149</b>	<b>837</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. SHORT TERM DEBTORS

	2015	2014
	£000	£000
Central government bodies	16,235	21,026
Other local authorities	4,618	3,155
NHS bodies	1,297	772
Public corporations and trading funds	2	3
Other entities and individuals*	11,332	13,103
Council tax	2,589	2,741
	36,073	40,800
Less provision for impairment losses (note 19)	(2,340)	(2,760)
Total	33,733	38,040

\*2014 total restated to exclude £1,064k included in Creditors note

### 14. SHORT TERM INVESTMENTS

The balance sheet total of £2,115k (£6,781k in 2013/14) is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash, amounting to £41,900k (£34,500k in 2013/14).

	2015	2014
	£000	£000
Investments (3 months – 365 days)	2,000	6,700
Accrued interest	115	81
Total	2,115	6,781

### 15. CASH AND CASH EQUIVALENTS

	2015		2014	
	£000	£000	£000	£000
<b>Current Assets</b>				
Temporary investments (call accounts)		5,000		4,600
Cash and cash equivalents	43,472		35,905	
Cash overdrawn	(5,727)		0	
		37,745		35,905
Total		42,745		40,505

### 16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2015	2014
	£000	£000
Accrued interest on long term external borrowing	1,103	1,100
Invest to Save loan (from Welsh Government)	398	300
Energy Efficiency Loans (from Salix Finance Ltd.)	54	54
Total	1,555	1,454

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. CREDITORS

	2015	2014
	£000	£000
<b>Short Term</b>		
Central government bodies	3,638	4,905
Other local authorities	5,584	7,786
NHS bodies	313	690
Public corporations and trading funds	18	48
Other entities and individuals *	21,644	18,208
<b>Total</b>	<b>31,197</b>	<b>31,637</b>
<b>Long Term</b>		
Central government bodies **	0	810
Other local authorities **	787	1,222
Other entities and individuals	229	219
<b>Total</b>	<b>1,016</b>	<b>2,251</b>

\* 2014 total restated to exclude £549k in respect of contributions now included in Note 18, Grant Receipts in advance and to include £1,064k previously included in Note 13, Short Term Debtors.

\*\* 2014 totals restated £1,222k from Central Government to Other local authorities.

### 18. GRANT INCOME

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2015	2014
	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	145,253	153,602
Outcome Agreement Grant	1,453	1,465
<b>Total Non Ringfenced Government Grants</b>	<b>146,706</b>	<b>155,067</b>
Welsh Government (WG):		
Major Repairs Allowance	5,110	5,200
General Capital Grant	2,616	2,603
Regional Transport Plan	1,279	1,283
Additional School Improvement Grant	1,142	2,770
Learning in Digital Wales Grant	0	1,020
21st Century Schools	1,735	0
Other WG Grants	2,808	993
Other Capital Grants and Contributions	2,295	1,945
<b>Total Capital Grants and Contributions</b>	<b>16,985</b>	<b>15,814</b>
<b>Total</b>	<b>163,691</b>	<b>170,881</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2015 £000	2014 £000
<b>Credited to Services</b>		
WG		
Supporting People	6,456	6,620
DELLS Post 16	5,896	6,085
Foundation Phase	4,992	4,947
Learning Pathways	396	642
Flying Start	2,729	2,213
Families First	1,739	1,690
Pupil Deprivation	2,296	1,244
School Effectiveness	2,811	1,445
Concessionary Fares	2,047	2,214
Sustainable Waste Management	3,106	3,182
Substance Misuse	697	1,334
Intermediate Care Fund	1,269	0
Bus Services Support Grant	6,734	0
Other	(1,201)	233
Department of Work and Pensions	39,098	38,997
Arts Council Wales*	2,072	1,863
Other Grants and Contributions	14,016	9,226
Total	95,153	81,935

\* Figure restated, excluded from 13/14 accounts

### Grants and Contributions Received in Advance

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the grantor if the conditions are not met. The balances at the year end are as follows:

	2015 £000	2014 £000
<b>Short Term</b>		
Revenue Grants	1,778	1,462
Capital Grants	102	0
Revenue Section 106 Agreements	43	61
Capital Section 106 Agreements*	63	71
Capital Contributions*	433	536
Revenue Contributions	154	0
Total	2,573	2,130
<b>Long Term</b>		
Revenue Grants	354	395
Revenue Section 106 Agreements	549	519
Capital Section 106 Agreements	594	203
Total	1,497	1,117

\*13/14 totals restated to include £549k previously included in Note 17, Creditors.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. PROVISIONS

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total (non current and current) of £6,414k incorporates the following balances :-

	2015	Movement Out	Movement In	2014
	£000	£000	£000	£000
Claims (staff)	9	0	0	9
Single Status / Equal pay	3,029	(6,057)	340	8,746
MMI Scheme of Arrangement	0	(383)	0	383
Aftercare of former landfill sites	1,067	(520)	485	1,102
Senior Management Restructure	0	(745)	0	745
Staff Termination Benefits	578	0	578	0
Claims Land Charges	130	0	130	0
Orphaned Site - Sandycroft	1,600	0	1,600	0
<b>Total</b>	<u>6,413</u>	<u>(7,705)</u>	<u>3,133</u>	<u>10,985</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 Single Status / Equal Pay provision provides the funds for the residual implementation and incentive payments made to staff under the single status agreement and funding for the potential costs associated with the settlement of historic equal pay cases, which includes the residual liability for existing claims.
- The provision in relation to the 'MMI Scheme of Arrangement' was created in 2012/13 following the decision taken by the board of MMI to trigger the scheme of arrangement on 13<sup>th</sup> November 2012.

MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off was unlikely to be achieved then the scheme of arrangement would be triggered. All scheme Creditors would be subject to a percentage levy on all scheme liabilities paid to date and any future payments would be made at a reduced rate.

The scheme administrator informed scheme Creditors that the levy will be 15% of claims paid to date, payable in February 2014. Flintshire, as the incumbent local government organisation, is responsible for paying the levy in relation to the former borough councils of Delyn and Alyn and Deeside, and its share of the former county council of Clwyd as agreed with the other North Wales Local Authorities.

The levy was paid in full over 2013/14 and 2014/15 financial years.

- The £1,067k provides for the environmental aftercare costs for the former waste disposal sites at Standard, Buckley and Brookhill, Buckley, with £45k a current liability and £1,022 a non-current liability. The projected costs have been embodied in performance deeds with Natural Resources Wales (formerly the Environment Agency). These deeds form the basis of the Council's legal obligation to make financial provision for aftercare for 60 years from the date the landfill site was closed. The provision is revised by way of indexation each year in line with RPI, and reviewed for adequacy. The provision matches the legal obligation contained in the performance deeds.
- A Senior Management Restructure came into effect on 1<sup>st</sup> June 2014, which resulted in a number of senior managers leaving the Council's employment. A provision was created in the 2013/14 accounts to fund the termination benefits paid in 2014/15.
- The 2015/16 budget strategy included a review of the Council's workforce numbers and costs in order to making recurring revenue savings. The Council was sufficiently committed with some of its budget proposals at the balance sheet date to warrant the creation of a provision in 2014/15 for the termination benefits of staff leaving the Council's employment in 2015/16.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- A group of property search companies are claiming refunds of fees paid to the Council to access land charges data. Proceedings have been issued and are being handled by solicitors jointly instructed by the LGA and WLGA on behalf of around 300 councils. A settlement has been agreed with payments due imminently. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.
- A pharmaceutical company abandoned their premises in Sandycroft leaving substantial quantities of chemicals on site. Subsequently the company went into liquidation. In the interest of protecting the public, the Council and other statutory partners had to intervene and are in the process of implementing a phased plan to remove the risk to the public and restore the site. The provision reflects the best estimate of future liabilities at the balance sheet date. Financial support from Welsh Government has been received in year of £700k which has been credited to the Comprehensive Income and Expenditure Statement.

### Current Provisions – Accumulated Absences

The provision for accumulated absences in 2014/15 is £3,296k (£3,376k in 2013/14).

	2015	Movement	Movement	2014
	£000	Out	In	£000
		£000	£000	
Accumulated absences	3,296	(371)	291	3,376
Total	<u>3,296</u>	<u>(371)</u>	<u>291</u>	<u>3,376</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 annual leave entitlement which employees build up as they work. The Code requires that, the cost of providing holidays and similar benefits are 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 31<sup>st</sup> March each year. Under previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund annual leave entitlement 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.

### Current Provisions - Provision for Impairment Losses (Bad Debts)

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

	2015	2014
	£000	£000
Housing rents	391	662
Council tax	797	862
Other debtors	1,152	1,236
Total	<u>2,340</u>	<u>2,760</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. LONG TERM BORROWING

Analysis	Interest Rates		2015	2014
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
Salix Finance (Energy Efficiency)		Interest Free	135	189
Government (PWLB)	0.54	9.50	153,163	153,163
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government (Invest to Save)		Interest Free	0	398
Total			172,248	172,700
<b>By Maturity</b>				
Between 1 and 2 years			0	398
Between 2 and 5 years			1,735	1,789
Between 5 and 10 years			21,993	17,753
More than 10 years			148,520	152,760
Total			172,248	172,700

### 21. USABLE RESERVES

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in note 5.

#### Council Fund

The Council fund balance of £10,515k represents the value of unearmarked reserves available to the Authority (£11,161k in 2013/14).

#### Earmarked Reserves

Total earmarked reserves of £30,249k (£39,292k in 2013/14) include revenue service balances of £5,216 (£7,911k in 2013/14), the surpluses generated by locally managed schools of £2,379k (£2,198k in 2013/14), and various other specific reserves which includes:

- Service balances – represents the element of slippages that service departments have the right to carry forward for use in the subsequent financial year and other relevant specific income / underspends one-off in nature that extend over more than one year.
- School balances – this sum represents the element of balances released under the delegation of budgets to schools which remained unspent at the end of the financial year.
- Single status / equal pay – accumulated reserve to fund the costs of implementing the single status agreement and costs associated with the settlement of historic equal pay cases.
- Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects
- Benefits Equalisation – this reserve was introduced to guard against the potential volatility in Housing Benefit Subsidy.
- County Elections – reserve to fund the costs of future elections
- Supporting people – this reserve has been established to mitigate the impact of proposed reductions in grant funding by Welsh Government.
- Waste Disposal – this reserve is used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Countryside – reserve to fund future service costs

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Winter Maintenance – the reserve has been set up as a contingency in the event of severe weather conditions
- Car Parking – funding from an increase in car parking fees set aside for use in agreement with Town Councils.
- Flintshire Insurance Fund – Flintshire County Council does not insure all risks with external insurers but instead has established an internal reserve to meet those uninsured risks.

Movement between earmarked reserves is summarised in the following table:-

	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Service balances*	9,083	(6,999)	5,827	7,911	(6,592)	3,897	5,216
School balances*	2,632	(2,788)	2,354	2,198	(2,332)	2,513	2,379
Single status/equal pay	25,653	(5,245)	3,046	23,454	(11,750)	1,160	12,864
Organisational Change	392	(392)	706	706	(1,306)	6,122	5,522
Benefits equalisation	1,119	0	0	1,119	(906)	0	213
County elections	88	(14)	34	108	(17)	63	154
Clwyd Theatr Cymru	(17)	0	42	25	(25)	26	26
Supporting people	1,493	0	18	1,511	0	0	1,511
Community equipment store	66	(46)	100	120	(4)	63	179
Building control	209	0	0	209	(111)	0	98
Waste disposal	708	(240)	0	468	(104)	35	399
Countryside	3	0	0	3	(3)	191	191
Flintshire Enterprise Ltd	139	(12)	0	127	(78)	48	97
Third party claims	87	0	0	87	(87)	0	0
Design fees	120	0	0	120	0	0	120
Winter maintenance	0	0	250	250	0	0	250
Car Parking	0	0	30	30	0	187	217
Insurance fund - MMI	160	(1)	171	330	(289)	17	58
Flintshire Insurance Fund	660	(152)	0	508	(652)	893	749
Clwyd Insurance Fund	9	(1)	0	8	(2)	0	6
<b>Total</b>	<b>42,604</b>	<b>(15,890)</b>	<b>12,578</b>	<b>39,292</b>	<b>(24,258)</b>	<b>15,215</b>	<b>30,249</b>

\*13/14 totals restated, amounts incorrectly included in schools balances.

### Housing Revenue Account

The housing revenue account reserve cumulative balance of £1,510k (£1,662k in 2013/14) includes the 2014/15 HRA deficit of £152k (£269k (deficit) in 2013/14), as detailed on pages 77 and 78.

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. UNUSABLE RESERVES

The details of movements on unusable reserves are as follows :-

Reserves	2015 £000	2014 £000
Revaluation reserve *	57,895	60,536
Available-for-sale financial instruments reserve	0	(3)
Capital adjustment account * **	504,216	516,324
Financial instruments adjustment account	(7,545)	(7,912)
Pensions reserve	(333,974)	(258,417)
Equal pay account	0	(4,978)
Deferred Capital Receipt	116	0
Accumulated absences account	(3,296)	(3,376)
<b>Total Unusable Reserves *</b>	<b>217,412</b>	<b>302,174</b>

\* Prior period adjustment - see note 38

\*\* Prior period adjustment - see note 39

#### Revaluation Reserve

The revaluation reserve contains the gains 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.

	2015 £000	£000	2014 £000	£000
Balance at 1st April	60,536		52,739	
Opening Balance Adjustment	0		34	
		60,536		52,773
Upward revaluation of assets	5,887		35,461	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services *	(5,250)		(25,198)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services *		637		10,263
Difference between fair value depreciation and historical cost depreciation	(1,320)		(2,334)	
Accumulated gains on assets sold or scrapped	(1,958)		(166)	
Amount written off to the capital adjustment account		(3,278)		(2,500)
Balance at 31st March *	57,895		60,536	

\* Prior period adjustment - see note 38

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(3)		(3)
Upward revaluation of investments	0		0	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	3		0	
	<u>3</u>	3	<u>0</u>	0
Balance at 31st March		<u>0</u>		<u>(3)</u>

### 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.

	2015	2014
	£000	£000
Balance at 1st April	(258,417)	(305,518)
Return on plan assets	42,220	(9,436)
Actuarial gains and losses	(111,644)	65,970
Net charges to surplus / deficit on provision of services	(31,345)	(31,337)
Employers' contributions payable to the scheme	25,212	21,904
Balance at 31st March	<u>(333,974)</u>	<u>(258,417)</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April	514,768		527,474	
Prior period adjustment **	1,556		0	
Balance at 1st April adjusted		516,324		527,474
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets *	(29,550)		(17,487)	
- Revaluation losses on PP&E	(9,978)		(30,496)	
- Amortisation of intangible assets	(216)		(199)	
- Revenue expenditure funded from capital under statute	(8,125)		(3,513)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(3,987)		(2,768)	
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	(1,774)		3,593	
	(53,630)		(58,130)	
Adjusting amounts written out of the revaluation reserve	3,278		2,466	
Net written out amount of the cost of non-current assets consumed in the year *		(50,352)		(48,404)
Capital financing applied in the year:				
- Use of the capital receipts reserve	1,283		3,711	
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	21,803		17,471	
- Intangible Assets - Additions	29		84	
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	7,658		7,686	
- Capital expenditure charged against the council fund and HRA balances	7,002		6,375	
HRA Capital Receipts Set Aside	570		371	
Long term debtors adjustments			0	
- Loan Repayments	(101)		0	
		38,244		35,698
Balance at 31st March *	504,216		514,768	

\* Prior period adjustment - see Note 38

\*\* Prior period adjustment - see Note 39

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(7,912)		(8,381)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	<u>367</u>		<u>469</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		367		469
Balance at 31st March		<u>(7,545)</u>		<u>(7,912)</u>

### Equal Pay Account

The equal pay account compensates for the differences between the rate at which the Authority provides for the potential costs of equal 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.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(4,978)		(9,334)
(Increase) / decrease in provision for equal pay cases	4,978		4,356	
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		4,978		4,356
Balance at 31st March		<u>0</u>		<u>(4,978)</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Deferred Capital Receipts

Deferred capital receipts are loans that the Council has made to individuals on the affordable homes register. The loan is the individual's deposit to assist in the purchase of an affordable home in the county. The loan is repayable on the earlier of, when the house is sold or 25 years. The reserve holds the recognised future receipt.

	2015	2014
	£000	£000
Affordable homes deposits	116	0
	116	0

### 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, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the council fund balance is neutralised by transfer to or from the account.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(3,376)		(2,612)
Settlement or cancellation of accrual made at the end of the preceding year	3,376		2,612	
Amounts accrued at the end of the current year	(3,296)		(3,376)	
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		80		(764)
Balance at 31st March		(3,296)		(3,376)

### 23. NON ADJUSTING POST BALANCE SHEET EVENT – INTRODUCTION OF SELF FINANCING TO HRA

On 2<sup>nd</sup> April 2015 all 11 stock (Council housing) retaining authorities in Wales signed a voluntary agreement with the UK and Welsh Governments to change the financing arrangements for council housing in Wales.

The negative subsidy system in operation, which required Flintshire to make annual payments of circa £6m in negative subsidy to Welsh Government and on to UK Treasury, ended. This was replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council borrowed to exit the subsidy system as part of the agreement. The PWLB loans, called the settlement payment (a one-off lump sum payment classed as capital expenditure), was paid to Welsh Government (WG) and on to UK Treasury. For Flintshire this amounted to £79,248k.

The agreement is expected to generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £1,289k (£8,908k in 2013/14) include the following interest elements :

	2015 £000	2014 £000
Interest received	472	1,283
Interest paid	(9,316)	(14,336)

### 25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015 £000	2014 £000
Purchase of property, plant & equipment, investment property and intangible assets	(32,158)	(34,267)
Purchase of short term and long term investments	6,721	11,031
Other payments for investing activities	(239)	(281)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	4,323	3,026
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	23,150	17,653
<b>Net cash flows from investing activities</b>	<b>1,797</b>	<b>(2,838)</b>

### 26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015 £000	2014 £000
Cash receipts of short term and long term borrowing	0	698
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(492)	(557)
Repayment of short term and long term borrowing	(354)	(54)
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>(846)</b>	<b>87</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. OFFICERS' REMUNERATION

Regulation 9.3 of the Accounts and Audit (Wales) Regulations 2014 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee including payments on termination of employment, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000 :-

Remuneration Band	2015		2014	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999 *	4	13	5	12
£65,000 - £69,999	3	6	3	5
£70,000 - £74,999	1	4	4	5
£75,000 - £79,999	0	1	3	1
£80,000 - £84,999	0	5	1	3
£85,000 - £89,999	1	1	1	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	0	0	1
£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	0	0
	11	30	18	27

\* 13/14 numbers restated to reclassify an employee from schools to non-schools.

Information has been compiled on the basis of the requirements of the Accounts and Audit Regulations, and related CIPFA guidance. The band values do not include employer pension contributions, which for 2014/15 were accounted for at a rate of 14.1% for teachers and 23.15% for other employees.

Employees included in senior employee posts listed in the Senior Employee Emoluments table are not included in the table above (13/14 numbers restated).

The Accounts and Audit (Wales) Regulations 2014 also require disclosure of the ratio of remuneration between the Chief Executive and the median full time equivalent earner (£19,944.22); for 14/15 this was 1:6.58.

#### Senior Employee Emoluments

The Accounts and Audit (Wales) Regulations 2014 requires disclosure of the individual remuneration details for senior employees by post where the salary is between £60,000 and £150,000 and by name where the salary exceeds £150,000. Senior employees for the purpose of the disclosure are the chief executive, chief officers, statutory officers and persons for whom the chief executive is directly responsible.

## NOTES TO THE CORE FINANCIAL STATEMENTS

During the year the Authority restructured its Senior Management Team, with the posts of Directors and Heads of Service over 2 tiers, replaced with a single tier of Chief Officers. The note reflects this transition.

Post Title	Note	Remuneration (Excluding Employer's Pension Contributions) £	Employer's Pension Contributions £
<b>2014/15</b>			
Chief Executive (Colin Everett)	1	142,405	32,967
Chief Officer People & Resources		78,181	18,099
Chief Officer Governance	2	80,780	18,701
Chief Officer Education & Youth	7	97,328	22,531
Chief Officer Social Care	7	97,328	22,531
Chief Officer Community & Enterprise	3	82,403	19,076
Chief Officer Planning & Environment	6	78,949	18,277
Chief Officer Streetscene & Transportation		78,181	18,099
Chief Officer Organisational Change 1	4	47,752	11,055
Chief Officer Organisational Change 2		78,181	18,099
Corporate Finance Manager (Section 151 Officer)		58,734	13,597
Director of Environment	5	106,643	7,405
Head of Finance	5	62,932	0
Head of ICT & Customer Services	5	86,947	10,214
		<b>1,176,744</b>	<b>230,651</b>

Post Title	Note	Remuneration (Excluding Employer's Pension Contributions) £	Employer's Pension Contributions £
<b>2013/14 (comparative information)</b>			
Chief Executive (Colin Everett)	1	137,138	30,856
Director of Environment		97,328	21,899
Director of Community Services		97,499	21,937
Director of Lifelong Learning		97,328	21,899
Head of Finance		81,960	18,441
Head of Legal and Democratic Services	2	78,825	17,736
Head of Human Resources and Organisational Development		74,063	16,664
Head of ICT & Customer Services	3	82,600	18,585
		<b>746,741</b>	<b>168,017</b>

**Note 1 :** Remuneration includes amounts for (a) returning officer for local and national elections (with costs reimbursed by the respective Government for the latter) and (b) Clerk to the North Wales Fire and Rescue Authority (costs reimbursed). Base salary (unchanged since 2007) is £131,233.

**Note 2 :** Remuneration includes amounts relating to role as Deputy Clerk to the North Wales Fire and Rescue Authority (costs reimbursed).

**Note 3 :** Remuneration includes amounts for additional responsibilities (Assistant Chief Executive for Organisational Change). Part year.

**Note 4 :** The Chief Officer Organisational Change 1 was not in post until August 2014, therefore the remuneration stated is not a full year total.

**Note 5 :** These posts were deleted as part of Senior Management restructure.

**Note 6 :** Remuneration includes amounts for additional responsibilities for Public Protection in role prior to Senior Management restructure. Part year.

**Note 7 :** Former Directors receiving pay protection under the Council's Organisational Change policy.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Exit Packages

The Council is required to disclose (in £20k bandings up to £100k and £50k bandings thereafter) the numbers of exit packages agreed and the cost of the packages to the authority in the financial year. The totals disclosed are made up of redundancy payments and pension strain (including teacher's pension lump sum payments).

Exit costs arising in 2015/16 which the authority is committed to incurring at the 31<sup>st</sup> March 2015 are also included in the disclosure.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below :-

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	61	31	95	5	156	36	1,270,196	196,497
£20,001 - £40,000	15	11	43	1	58	12	1,606,705	369,716
£40,001 - £60,000	7	1	13	0	20	1	967,505	50,272
£60,001 - £80,000	4	2	7	0	11	2	771,520	139,727
£80,001 - £100,000	1	1	2	0	3	1	255,687	90,203
£100,001 - £150,000	0	0	2	0	2	0	235,560	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	2	0	0	0	2	0	416,909	0
	<u>90</u>	<u>46</u>	<u>162</u>	<u>6</u>	<u>252</u>	<u>52</u>	<u>5,524,082</u>	<u>846,415</u>

### 28. MEMBERS' ALLOWANCES

Allowances totaling £1,366k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2014/15 (£1,336k in 2013/14).

	2015 £000	2014 £000
Basic allowance	920	911
Special responsibility allowance	236	230
Employer's national insurance	80	80
Employer's superannuation	62	59
Members' expenses	68	56
	<u>1,366</u>	<u>1,336</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The allowances paid fall into the following bands :-

Allowance Band	2015 Number of Members	2014 Number of Members
£0 - £9,999	1	3
£10,000 - £14,999	35	36
£15,000 - £19,999	16	13
£20,000 - £24,999	7	9
£25,000 - £29,999	4	3
£30,000 - £34,999	4	3
£35,000 - £39,999	2	2
£40,000 - £44,999	1	1
£45,000 - £49,999	0	0
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	1
	71	71

### 29. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have the ability to limit another party's ability to bargain freely with the Authority.

#### Welsh and Central Government

Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties such as council tax bills and housing benefits. Grants received from Welsh and other Government departments are set out in the subjective analysis in note 41.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2014/15 is shown in note 28.

The Council appoints members to some external charitable and voluntary bodies, or Members have disclosed a link to organisations, public bodies and authorities. The total transactions with bodies under this heading during 2014/15 are as follows:

- Payments £698k (£41k in 2013/14)
- Receipts £65k (£9k in 2013/14)
- Amounts owed by the Council £39k (£0k in 2013/14)
- Amounts owed to the Council £10k (£0k in 2013/14)

Members have declared an interest or relationship in companies or businesses which may have had dealings with the Council. The total payments made to companies under this heading during 2014/15 and amounts outstanding at 31<sup>st</sup> March are as follows:

- Payments £192k (£331k in 2013/14)
- Receipts £1k (£0k in 2013/14)
- Amounts owed by the Council £4k (£11k in 2013/14)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Members have declared some personal transactions with the Council. The total transactions under this heading during 2014/15 are as follows:

- |            |       |                  |
|------------|-------|------------------|
| • Payments | £16k  | (£0k in 2013/14) |
| • Receipts | (£1k) | (£0k in 2013/14) |

The personal interests of all members are recorded in the Public Register of Members' Interests, in accordance with the law and the Council's Code of Conduct. The Register is available for public inspection by contacting the Head of Legal and Democratic Services at Flintshire County Council, County Hall, Mold.

### Officers

Senior Officers have declared, as required and where appropriate, an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Council. The total transactions with such bodies during 2014/15 are as follows:

- |            |       |                    |
|------------|-------|--------------------|
| • Payments | £418k | (£780k in 2013/14) |
| • Receipts | £0k   | (£10k in 2013/14)  |

### Other Public Bodies

#### Clwyd Pension Fund

The Council is the administering authority for the Clwyd Pension Fund. Details of transactions with the Clwyd Pension Fund are provided within the Pension Fund accounts on page 106.

#### Teachers Pensions Agency

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 46.

#### North Wales Police and Crime Commissioner and North Wales Fire Authority

Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts and levies paid to the North Wales Police and Crime Commissioner and the North Wales Fire and Rescue Authority amounted to £21,017k (£20,398k in 2013/14).

#### Community / Town Councils

Total precepts paid to the 34 community/town councils amounted to £2,387k (£2,323k in 2013/14).

#### Betsi Cadwaladr University Local Health Board

The Betsi Cadwaladr University Health Board combines the North Wales NHS Trust (previously North East Wales NHS Trust and Conwy & Denbighshire NHS Trust), the North West Wales NHS Trust, and the six Local Health Boards of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham. Transactions with Betsi Cadwaladr University Local Health Board for related healthcare activities during 2014/15 were as follows:

- |                               |         |                      |
|-------------------------------|---------|----------------------|
| • Payments                    | £2,627k | (£1,975k in 2013/14) |
| • Receipts                    | £5,388k | (£3,640k in 2013/14) |
| • Amounts owed by the Council | £312k   | (£704k in 2013/14)   |
| • Amounts owed to the Council | £1,907k | (£743k in 2013/14)   |

#### Welsh Joint Education Committee

- |            |       |                    |
|------------|-------|--------------------|
| • Payments | £421k | (£476k in 2013/14) |
|------------|-------|--------------------|

#### Welsh Local Government Association

- |                               |       |                    |
|-------------------------------|-------|--------------------|
| • Payments                    | £107k | (£130k in 2013/14) |
| • Receipts                    | £16k  | (£8k in 2013/14)   |
| • Amounts owed to the Council | £0k   | (£6k in 2013/14)   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. NORTH EAST WALES HOMES AND PROPERTY MANAGEMENT

On 3<sup>rd</sup> April 2014 the Council established a new company, North East Wales Homes and Property Management (NEW Homes). NEW Homes will own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.

NEW Homes is a company limited by shares, wholly owned by the Council (1 at £1 par value), established under section 95 of the Local Government Act 2003. The Council has a high level of control over NEW Homes as the single shareholder approving:

- the issue of share capital
- the distribution of trading surplus
- annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

The risks associated with ownership of NEW Homes have been identified and are managed to an acceptably low level. The Council receives regular progress updates from the Board. At this early stage in NEW Homes' development the effects it has had on the Council's financial position, performance and cash flow are not material. Furthermore, in the unlikely event that NEW Homes made a loss, as it is a company limited by shares the losses would be recovered from selling its assets.

Further information on NEW Homes is available on its website [www.northeastwaleshomes.co.uk](http://www.northeastwaleshomes.co.uk), where its accounts for the year ended 31<sup>st</sup> March 2015 have been published showing a profit of £15k.

NEW Homes balance sheet shows that it owns non-current assets, these equate to 15 properties in total donated by private developers for £1 each under section 106 agreements to provide affordable housing. These agreements between developers and local planning authorities are negotiated as part of a condition of planning consent and enable local authorities to negotiate contributions towards a range of infrastructure and services, including affordable housing.

10 properties were donated to the Council in 2013/14 with a market value of £1,136k as at 31<sup>st</sup> March 2014. These properties were transferred to NEW Homes during 2014/15 at £1 each. A further 5 have been donated from developers to NEW Homes in 2014/15, bringing the total to 15 with a market value of £2,145k.

The Council and NEW Homes enter into a nomination rights agreement in respect of each property, which entitles the Council to select every tenant, and uses this to house people from the Flintshire affordable housing register.

### 31. AUDIT FEES

Total audit and inspection fees due during the year amounted to £417k (£475k in 2013/14). External audit services were provided by Wales Audit Office.

	2015	2014
	£000	£000
Fees for the accounts	216	216
Fees for the Local Government Measure	105	138
Fees for grants	96	121
	<u>417</u>	<u>475</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. 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 Streetscene & Transportation Portfolio 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 £2,080k (£2,348k in 2013/14).

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. No further income was received from Welsh Government during 2014/15 (£2,333k in 2013/14) with payments against the brought forward sum amounting to £435k (£2,060k in 2013/14) of which Flintshire County Council received £185k (£340k in 2013/14).

### 33. NATIONAL HEALTH SERVICES (WALES) ACT 2006

The Council has an agreement with Wrexham County Borough Council and the Betsi Cadwaladr University Health Board, 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.

Partnership	2015 £000	2014 £000
Gross expenditure	1,052	1,048
Gross income	(1,116)	(1,148)
(Surplus) / deficit for year	(64)	(100)
<b>Contribution to Budget</b>		
Flintshire County Council	391	412

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 £1,011k; the premises are included in Flintshire County Council's balance sheet (as host partner):-

	Gross £000	Net £000	%
Flintshire County Council	508	505	50.25
Wrexham County Borough Council	503	499	49.75
	1,011	1,004	100.00

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34. JOINT ARRANGEMENTS

Flintshire County Council is involved in various joint arrangements/partnerships with neighbouring North Wales Councils, being :-

- North East Wales Community Equipment Service (with Wrexham)
- North East Wales Food Waste Hub (with Conwy and Denbighshire)
- North Wales Adoption Service (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- North Wales Residual Waste Treatment Project (with Anglesey, Conwy, Denbighshire and Gwynedd)
- North Wales Procurement Partnership (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- Taith [Developing North Wales Transport Strategy] (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- GwE [North Wales Regional School Effectiveness and Improvement Service] (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- Clwydian Range & Dee Valley Area of Outstanding Natural Beauty (AONB) (with Denbighshire and Wrexham)

Flintshire County Council is the host partner for the North East Wales Community Equipment Service (details of which are provided in note 33), the North Wales Residual Waste Treatment Project (NWRWTP), and Taith.

Separate (joint committee) financial statements are prepared for NWRWTP ([www.nwrwtp.org](http://www.nwrwtp.org)), Taith ([www.taith.gov.uk](http://www.taith.gov.uk)), GWE ([www.gwynedd.gov.uk](http://www.gwynedd.gov.uk)) and Clwydian Range & Dee Valley AONB ([www.denbighshire.gov.uk](http://www.denbighshire.gov.uk)). The 2014/15 joint committee statements record:-

	2015	2014	
<b>Gross Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>Expenditure - allocation basis</b>
NWRWTP	419	790	Equal shares
TAITH	113	13,030	Pro rata to population
GWE	1,902	4,088	Pro rata to pupil population
Clwydian Range & Dee Valley AONB	400	n/a	Management costs - equal shares, activity costs - geographical area

Flintshire County Council's share of the income and expenditure for NWRWTP and Taith is recorded in the Net Cost of Services in the Comprehensive Income and Expenditure Statement in line with the accounting policy for Joint Committees.

### 35. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The Council 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 31<sup>st</sup> March 2015 was £79k (£96k in 2013/14) and is not included 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 31<sup>st</sup> March 2015 the fund balance was £564k (£562k in 2013/14).

The Social Services portfolio - 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 31<sup>st</sup> March 2015 was £4,143k in 388 separate accounts (£3,439k in 415 accounts in 2013/14).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. CONTINGENT LIABILITIES

- During 2013/14 the Council agreed a settlement rate in relation to a number of equal pay claims registered in the Employment Tribunal and a methodology for dealing with potential claims with trade unions. A significant number of claims have been settled as a result of the agreement, the costs of which were met from the Equal Pay/Single Status reserve. There are some residual claims that are in the process of being settled. Once concluded, this will protect the Council from any on-going equal pay liabilities.

There maybe a very small residual equal pay risk where claimants opt not to settle or where employees choose not to sign an agreement to waive their equal pay rights. In these cases the Council will consider its options for achieving potential settlement.

The Council is aware that the outcome of the Birmingham City Council case (2012) may increase the potential liability costs as claims may now be brought for up to 6 years, rather than 6 months (as was the case previously). There have been no historical claims lodged as a result of the Birmingham case in Flintshire and very few such claims lodged across Wales and on that basis, the risk is viewed as minimal.

- Further to the provision in relation to the 'Claims – Land Charges' in Note 19. Some of the claimants have also claimed against all English and Welsh authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claims would be against the Council. Negotiations are underway at present with a view to resolving these claims. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.
- In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, 7 former waste disposal sites within the county, will be considered and the condition of each assessed in due course. The assessments may conclude that liability for carrying out some or all of any necessary remediation works will be the Council's responsibility.
- Further to the provision in relation to the 'MMI Scheme of Arrangement' in Note 19, the Council recognises that any future payments made by MMI after the imposition of the initial levy will be made at the reduced rate of 85% and has created an earmarked reserve to fund the 15% that the Council in any future claim settled will need to fund. The projection of future claims is uncertain because of the latent nature of many of the claims that MMI is still receiving. The levy is subject to review at least once every 12 months by the scheme administrator. Despite setting an initial levy of 15%, when modelling projected outcomes for the solvent run-off of MMI, the administrator indicated that the levy could range between 9.5% and 28%. In MMI's annual report and accounts for year ended 30<sup>th</sup> June 2014 the administrator decided not to increase the levy, although the run-off projection showed an increased deficit position.

### 37. CONTINGENT ASSETS

- The Council continues to pursue refunds of VAT from HM Revenue and Customs, 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. Subject to HM Revenue and Customs' Court of Appeal referral of the High Court judgment in the case of Littlewoods Retail Ltd, 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Section 106 of the Town and Country Planning Act 1990 allows legal agreements as part of planning approval that commits the developer to undertake works or in-kind contributions towards a variety of infrastructure or services. An affordable housing scheme called 'Shared Equity' is one such commitment, the developer makes a number of properties available for purchase by those on the affordable housing register at 70% of the market value. The remaining 30% share in the properties is transferred to the Council in the form of a legal charge against the property. At any point in the future the homeowner can; redeem the Council's 30% share, or sell the property. The first call being a sale to others on the affordable housing register, if after a set period the property does not sell it can be sold on the open market. It is probable that the Council will benefit in the form of capital receipts in the future from these agreements, however the receipt must be used for the provision of affordable housing under the legal agreement.

### 38. PRIOR PERIOD ADJUSTMENT – CAPITAL EXPENDITURE ON NON CURRENT ASSETS

In 2013/14 the Council reviewed the accounting procedure for capital expenditure incurred on non-current assets. Expenditure is added to the assets value on the balance sheet which is subsequently reviewed and revalued or impaired in year as necessary.

Total impairment was charged to the Comprehensive Income and Expenditure Statement (CIES) incorrectly. The accounting for the impairment should have taken into account any existing Revaluation Reserve balance on the affected assets and in such cases the impairment charged to the Revaluation Reserve initially, before then taking any remaining impairment charge to the CIES. (The adjustment in relation to Council Fund assets is £3.486m and £3.774m for HRA assets).

In line with the Code of Practice on Local Authority Accounting, the Council has restated the 2013/14 financial statements (outlined below) and the adjustment has been applied to comparator notes throughout the Statement of Accounts. Procedures for 2014/15 have been updated.

Balance Sheet restatement, net impact is nil:-

	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Revaluation Reserve	67,796	60,536	(7,260)
Capital Adjustment Account	507,508	514,768	7,260

Comprehensive Income & Expenditure Statement, net impact is nil:-

	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
<i>Net Expenditure</i>			
Adult Social Care	47,272	47,040	(232)
Central services to the public	1,945	1,931	(14)
Eductaion and children's services	150,698	148,069	(2,629)
Cultural and related services	13,902	13,798	(104)
Environmental and regulatory services	17,518	17,416	(102)
Planning services	4,131	4,100	(31)
Highways and transport services	18,597	18,476	(121)
Housing - Council Fund	15,252	14,999	(253)
Housing - HRA	10,269	6,495	(3,774)
Cost of services	279,584	272,324	(7,260)
(Surplus)/deficit on the provision of services	30,369	23,109	(7,260)
(Surplus)/deficit arising on revaluation of non-current assets	(17,523)	(10,263)	7,260

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. PRIOR PERIOD ADJUSTMENT – NON-CURRENT ASSETS – SCHOOLS

During the year the accounting policy on schools has been reviewed, this followed guidance and clarification on how to interpret the Code of Practice issued by CIPFA to all Local Authorities. The review has not resulted in material changes to the Council's accounts, however requires recognition of the land and buildings of the Foundation School, Ysgol Derwen, Higher Kinnerton on the Council's balance sheet.

The value of the non-current assets as at 31<sup>st</sup> March 2014, £1,556k have been included in property, plant and equipment on the balance sheet matched with a credit to the capital adjustment account. The 2013/14 balance sheet has been restated (below) and the adjustment has been applied to comparator notes throughout the Statement of Accounts.

	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Other land and buildings	272,006	273,562	1,556
Capital adjustment account	507,508	509,064	1,556

Note that the adjustments in notes 38 and 39 both affect the capital adjustment account, the combined restated figure for 2013/14 is £516,324k.

### 40. 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 2014/15 were as follows :-

	2015 £000	2014 £000
Total minimum revenue provision	7,660	7,686
Recharge to housing revenue account	(530)	(542)
	7,130	7,144

### 41. 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014/15	CE	C&E	E&Y	Gov	OC	P&R	P&E	SS	S&T	Central and Corporate Finance	Total Excluding HRA	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>													
Fees, charges & other	(152)	(43,747)	(10,226)	(2,301)	(16,385)	(792)	(3,239)	(8,402)	(16,276)	(16,142)	(117,662)	(33,231)	(150,893)
Government grants	(46)	(5,156)	(19,275)	(2)	(830)	0	(1,039)	(7,726)	(5,208)	(164)	(39,446)	6,216	(33,230)
<b>Total</b>	<b>(198)</b>	<b>(48,903)</b>	<b>(29,501)</b>	<b>(2,303)</b>	<b>(17,215)</b>	<b>(792)</b>	<b>(4,278)</b>	<b>(16,128)</b>	<b>(21,484)</b>	<b>(16,306)</b>	<b>(157,108)</b>	<b>(27,015)</b>	<b>(184,123)</b>
<b>Expenditure</b>													
Employee expenses	1,996	5,956	91,401	4,322	13,911	4,769	6,390	26,128	13,617	2,731	171,221	6,409	177,630
Other service expenses	1,313	55,703	35,334	6,470	12,082	1,022	3,308	48,169	37,509	38,350	239,260	20,797	260,057
<b>Total</b>	<b>3,309</b>	<b>61,659</b>	<b>126,735</b>	<b>10,792</b>	<b>25,993</b>	<b>5,791</b>	<b>9,698</b>	<b>74,297</b>	<b>51,126</b>	<b>41,081</b>	<b>410,481</b>	<b>27,206</b>	<b>437,687</b>
<b>Final Outturn</b>	<b>3,111</b>	<b>12,756</b>	<b>97,234</b>	<b>8,489</b>	<b>8,778</b>	<b>4,999</b>	<b>5,420</b>	<b>58,169</b>	<b>29,642</b>	<b>24,775</b>	<b>253,373</b>	<b>191</b>	<b>253,564</b>

2013/14	CE	C&E	E&Y	Gov	OC	P&R	P&E	SS	S&T	Central and Corporate Finance	Total Excluding HRA	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>													
Fees, charges & other	(219)	(44,013)	(5,415)	(1,549)	(17,379)	(712)	(3,215)	(6,727)	(13,794)	(7,760)	(100,783)	(32,705)	(133,488)
Government grants	(72)	(5,042)	(18,636)	(20)	(941)	0	(1,249)	(6,362)	(5,795)	(30)	(38,147)	6,297	(31,850)
<b>Total</b>	<b>(291)</b>	<b>(49,055)</b>	<b>(24,051)</b>	<b>(1,569)</b>	<b>(18,320)</b>	<b>(712)</b>	<b>(4,464)</b>	<b>(13,089)</b>	<b>(19,589)</b>	<b>(7,790)</b>	<b>(138,930)</b>	<b>(26,408)</b>	<b>(165,338)</b>
<b>Expenditure</b>													
Employee expenses	1,219	6,056	86,661	4,869	13,864	5,074	6,891	26,100	14,249	258	165,241	6,175	171,416
Other service expenses	1,241	55,377	35,677	5,592	13,079	1,118	4,155	45,041	35,618	33,151	230,049	19,964	250,013
<b>Total</b>	<b>2,460</b>	<b>61,433</b>	<b>122,338</b>	<b>10,461</b>	<b>26,943</b>	<b>6,192</b>	<b>11,046</b>	<b>71,141</b>	<b>49,867</b>	<b>33,409</b>	<b>395,290</b>	<b>26,139</b>	<b>421,429</b>
<b>Final Outturn</b>	<b>2,169</b>	<b>12,378</b>	<b>98,287</b>	<b>8,892</b>	<b>8,623</b>	<b>5,480</b>	<b>6,582</b>	<b>58,052</b>	<b>30,278</b>	<b>25,619</b>	<b>256,360</b>	<b>(269)</b>	<b>256,091</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.

	2014/15 £000	2013/14 £000
Final outturn	253,564	256,091
Add amounts not reported to management *	46,146	44,739
Remove amounts reported to management not included in comprehensive income and expenditure statement	(32,823)	(23,760)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement *</b>	<b>266,887</b>	<b>277,070</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

Reconciliation to Subjective Analysis 2014/15	Service Analysis £000	Not Reported to Management £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(150,893)	0	0	(150,893)	0	(150,893)
Interest and investment income	0	0	0	0	(4,577)	(4,577)
Income from council tax	0	0	0	0	(77,873)	(77,873)
Distribution from non-domestic rate pool	0	0	0	0	(47,689)	(47,689)
Government grants and contributions	(33,230)	0	0	(33,230)	(163,691)	(196,921)
Gain or loss on disposal of fixed assets	0	0	0	0	(210)	(210)
<b>Total Income</b>	<b>(184,123)</b>	<b>0</b>	<b>0</b>	<b>(184,123)</b>	<b>(294,040)</b>	<b>(478,163)</b>
Employee expenses	177,630	0	0	177,630	0	177,630
Other service expenses	260,057	(11,431)	2,931	251,557	556	252,114
Support Service recharges	0	35,754	(35,754)	0	0	0
Depreciation, amortisation and impairment	0	21,823	0	21,823	0	21,823
Interest payments	0	0	0	0	25,193	25,193
Precepts & levies	0	0	0	0	23,404	23,404
<b>Total operating expenses</b>	<b>437,687</b>	<b>46,146</b>	<b>(32,823)</b>	<b>451,010</b>	<b>49,153</b>	<b>500,164</b>
<b>Surplus or deficit on the provision of services</b>	<b>253,564</b>	<b>46,146</b>	<b>(32,823)</b>	<b>266,887</b>	<b>(244,887)</b>	<b>22,001</b>
Reconciliation to Subjective Analysis 2013/14	Service Analysis £000	Not Reported to Management £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(133,488)	0	0	(133,488)	0	(133,488)
Interest and investment income	0	0	0	0	(9,103)	(9,103)
Income from council tax	0	0	0	0	(75,006)	(75,006)
Distribution from non-domestic rate pool	0	0	0	0	(46,872)	(46,872)
Government grants and contributions	(31,850)	0	0	(31,850)	(170,881)	(202,731)
Gain or loss on disposal of fixed assets	0	0	0	0	(200)	(200)
<b>Total Income</b>	<b>(165,338)</b>	<b>0</b>	<b>0</b>	<b>(165,338)</b>	<b>(302,062)</b>	<b>(467,400)</b>
Employee expenses	171,416	0	0	171,416	0	171,416
Other service expenses	250,013	3,043	5,633	258,689	402	259,091
Support Service recharges	0	29,393	(29,393)	0	0	0
Depreciation, amortisation and impairment *	0	12,303	0	12,303	0	12,303
Interest payments	0	0	0	0	24,978	24,978
Precepts & levies	0	0	0	0	22,721	22,721
<b>Total operating expenses *</b>	<b>421,429</b>	<b>44,739</b>	<b>(23,760)</b>	<b>442,408</b>	<b>48,101</b>	<b>490,509</b>
<b>Surplus or deficit on the provision of services*</b>	<b>256,091</b>	<b>44,739</b>	<b>(23,760)</b>	<b>277,070</b>	<b>(253,961)</b>	<b>23,109</b>

\* Prior period adjustment - see Note 38

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the capital financing requirement, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2015 £000	2014 £000
<b>Capital Investment</b>		
Property, plant and equipment	32,129	34,183
Intangible assets	29	84
REFCUS (see page 29)	8,243	3,792
	40,401	38,059
<b>Sources of Finance</b>		
Capital receipts	(1,282)	(3,711)
Capital grants and contributions	(21,803)	(17,471)
Capital reserves / CERA	(7,031)	(6,459)
	(30,116)	(27,641)
<b>Increase/(decrease) in capital financing requirement</b>	10,285	10,418
Increase in supported borrowing	4,316	4,263
Increase in other (unsupported) borrowing	5,969	6,155
	10,285	10,418

### 43. FUTURE CAPITAL COMMITMENTS

Significant commitments under capital contracts (in excess of £250k) at 31<sup>st</sup> March 2015 were as follows:

	Contracts Sum	Payments to date	Amount Outstanding
	£000	£000	£000
Treuddyn - Gas Infill	442	147	295
Flint - Towerblocks Refurbishment	3,600	80	3,520
Saltney Broughton ATR - Civil Works	356	306	49
Holywell, Community 3-16 Campus	26,732	2,286	24,446
Shotton, Ty Fynnon	5,180	4,900	280
Microsoft Enterprise Agreement	1,939	1,077	862
	38,249	8,797	29,452



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 44. 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:

Asset Classification	2015 £000	2014 £000
Vehicles, plant and equipment	6,504	7,192

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property, 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 £529k is due to be paid during the next 12 months (£492k equivalent for the previous financial year).

	2015 £000	Repaid £000	New £000	2014 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	529	492	0	492
Non-current	6,531	0	0	7,060
	7,060	492	0	7,552
Finance costs payable in future years	4,094	677	0	4,771
Minimum lease payments	11,154	1,169	0	12,323

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:

	Minimum Lease Payments		Finance Lease Liabilities	
	2015 £000	2014 £000	2015 £000	2014 £000
Not later than one year	1,159	1,169	529	492
Later than one year and not later than five years	5,061	5,340	2,715	2,731
Later than five years	4,934	5,814	3,816	4,329
	11,154	12,323	7,060	7,552

#### Operating Leases

In 2014/15, operating lease rentals paid amounted to £1,498k (£1,692k in 2013/14).

Asset Classification	2015 £000	2014 £000
Land	39	40
Buildings	162	179
Vehicles, plant and equipment	1,297	1,473
	1,498	1,692

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	38	138	754	930
Later than one year and not later than five years	149	479	1,122	1,750
Later then five years *	936	1,304	0	2,240
	1,123	1,921	1,876	4,920

\* Any open ended agreements are calculated to 2023/24 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 2014/15, lease rentals receivable amounted to £2,720k (£2,785k in 2013/14).

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

	Land £000	Buildings £000	Total £000
Not later than one year	194	2,162	2,356
Later than one year and not later than five years	667	5,690	6,357
Later then five years *	8,297	8,678	16,975
	9,158	16,530	25,688

\* Any open ended agreements are calculated to 2026/27 in line with the general average life of the longest leases

### Finance Leases

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

## 45. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2015 £000	2014 £000	2015 £000	2014 £000
Financial liabilities at amortised cost	172,248	172,700	1,555	1,454
Payables	0	0	34,314	35,239
<b>Total financial liabilities</b>	172,248	172,700	35,869	36,693
Loans	1,885	1,571	2,115	6,781
Receivables	0	2,007	25,451	30,036
Available-for-sale financial assets	0	14	0	0
<b>Total financial assets</b>	1,885	3,592	27,566	36,817

The balance sheet value of trade payables and other payables amounted to £35,869k (£35,239k in 2013/14) as disclosed above, and trade receivables amounted to £25,451k (£30,036k in 2013/14).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2015				2014			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Liabilities Measured at Amortised Cost £000	Loans and Receivables £000	Available-for-Sale Assets £000	Total £000	Liabilities Measured at Amortised Cost £000	Loans and Receivables £000	Available-for-Sale Assets £000	Total £000
Interest expense	(10,212)	0	0	(10,212)	(10,063)	0	0	(10,063)
Impairment losses	0	0	0	0	0	64	0	64
<b>Interest payable and similar charges</b>	<b>(10,212)</b>	<b>0</b>	<b>0</b>	<b>(10,212)</b>	<b>(10,063)</b>	<b>64</b>	<b>0</b>	<b>(9,999)</b>
Interest income	0	506	0	506	0	506	0	506
<b>Interest and investment income</b>	<b>0</b>	<b>506</b>	<b>0</b>	<b>506</b>	<b>0</b>	<b>506</b>	<b>0</b>	<b>506</b>
Gain on revaluation			0				0	
<b>Deficit arising on revaluation of financial assets</b>			<b>0</b>				<b>0</b>	
Net gain/(loss) for the year	(10,212)	506	0		(10,063)	570	0	

### 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 2013/14 method). The 2014/15 borrowing figure for Public Works Loans Board (PWL) loans has been calculated by reference to the 'premature repayment' set of rates in force on 31<sup>st</sup> March 2015 (in line with the 2013/14 method).

The 2014/15 Lender Option Borrower Option loans (LOBOs) figure has been calculated by discounting the cashflows over the whole life of the loans at the appropriate interest rate.

The fair value of shares and war stock are calculated using the value of undated gilts as published for 31<sup>st</sup> March 2015.

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:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Financial Liabilities</b>				
PWL	154,039	254,343	154,036	212,051
LOBOs	19,177	27,045	19,177	23,224
	<u>173,216</u>	<u>281,388</u>	<u>173,213</u>	<u>235,275</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Loans and Receivables</b>				
War stock	0	0	14	14
Long Term Investments	0	0	2,007	2,007
	0	0	2,021	2,021

All assets were repaid during 2014/15.

### 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 2011, 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 Cabinet, in accordance with Financial Procedure Rules. The Welsh Government 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; as at 31<sup>st</sup> March 2015, 6% of PWLB debt was variable rate, reducing the interest rate risk but increasing budget uncertainty. There is an option in the Treasury Management Strategy 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

- 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 variable rate debt costs of £90k.

### Risk - Loans and Receivables

#### Long Term Investments -

- Investments of more than 1 year are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £10m for long term investments and additional procedures for authorisation by the Corporate Finance Manager.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies. The Council uses the following criteria, and investments are made subject to the monetary and time limits shown.

	Fitch	Moody's	S & P	Cash Limit	Time Limit
Banks, Building Societies, other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	Aaa	AAA	£7m each	5 years
	AA+	Aa1	AA+		5 years
	AA	Aa2	AA		4 years
	AA-	Aa3	AA-		3 years
	A+	A1	A+		2 years
	A	A2	A		1 year
	A-	A3	A-	£5m each	1 year
The council's current account bank (NatWest Bank plc) if rated below A-				£5m	next day
UK Building Societies without credit ratings				£1m each	1 year
Money Market Funds and similar pooled vehicles				£7m each	N/A
UK Central Government (irrespective of credit rating)				unlimited	5 years
UK Local Authorities				£7m each	5 years

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £498k. If rates fell by 1%, there would be a loss of income for the same amount.

#### 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.

#### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 46. PENSIONS

#### Pensions - Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme a multi-employer defined benefit scheme, providing teachers with specified benefits upon their retirement. For accounting purposes it is treated as a defined contribution scheme as the Council is unable to identify its share of assets and liabilities with sufficient reliability. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate.

The Council contributes to the scheme by making contributions based on a percentage of teachers' pensionable salaries. In 2014/15 the Council paid £7,367k (£7,391k in 2013/14), which represents 14.07% (average) of teachers' pensionable pay (14.1% in 2013/14). The contributions due in 2015/16 are estimated to be £6,781k, 15.06% of teachers' pensionable pay.

The Council is not liable to the scheme for any other entities obligations under the plan.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases, outside of the terms of the teachers' scheme. In 2014/15 these amounted to £539k (£526k in 2013/14) and are accounted for on a defined benefit basis as detailed in the following section.

#### Pensions - Other Employees

Officers employed by the Council are members of the Local Government Pension Scheme, the Clwyd Pension Fund, administered locally by Flintshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund Panel. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

Further information regarding the Clwyd Pension Fund accounts is provided on pages 82 to 108, and in the Clwyd Pension Fund Annual Report which is available from [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 :-

	2015		2014	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	16,748		18,300	
Past service cost/(gain)	59		38	
Curtailments/settlements	3,306		347	
<b>Other Operating Expenditure -</b>		20,113		18,685
Administration expenses	418		402	
<b>Financing and Investment Income and Expenditure</b>		418		402
Net interest expense	10,814		12,250	
		<u>10,814</u>		<u>12,250</u>
<b>Net charge to surplus / deficit on the provision of services -</b>		31,345		31,337
<b>Other Comprehensive Income and Expenditure</b>				
<b>Remeasurement of the net defined benefit liability -</b>				
Return on plan assets	(42,220)		9,436	
Actuarial (gains) and losses - experience (gain) or loss	0		(23,696)	
Actuarial (gains) and losses - demographic assumptions	0		16,095	
Actuarial (gains) and losses - financial assumptions	111,644		-58,369	
<b>Net charge to other comprehensive income and expenditure -</b>		69,424		(56,534)
<b>Net charge to Comprehensive Income and Expenditure -</b>		<u>100,769</u>		<u>(25,197)</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(31,345)		(31,337)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme		25,212		21,904
<b>Net debit/(credit) to the movement in reserves statement</b>		<u>(6,133)</u>		<u>(9,433)</u>

### Pensions Assets and Liabilities in Relation to Retirement Benefits Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	2015	2014
	£000	£000
Present value of liabilities	(813,113)	(674,809)
Fair value of assets	479,139	416,392
Surplus/deficit in the scheme	<u>(333,974)</u>	<u>(258,417)</u>

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £333,974k is included as part of the unusable reserves total on the Balance Sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reconciliation of present value of the scheme liabilities:-

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
1st April	674,809	713,423
Current service cost	16,748	18,300
Interest cost	29,802	29,407
Contributions by scheme participants	5,147	5,020
Actuarial gains and losses - Experience gains or losses	0	(23,696)
Actuarial gains and losses - Demographic assumptions	0	16,095
Actuarial gains and losses - Financial assumptions	111,644	(58,369)
Benefits paid	(28,402)	(25,756)
Past service costs	59	38
Past service gains	0	0
Curtailments/settlements	3,306	347
31st March	<u>813,113</u>	<u>674,809</u>

### Reconciliation of fair value of the Local Government Pension Scheme (LGPS) assets:-

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
1st April	416,392	407,905
Interest income	18,988	17,157
Administration Expenses	(418)	(402)
Return on plan assets	42,220	(9,436)
Employer contributions	23,561	20,269
Contributions by scheme participants	5,147	5,020
Benefits paid	(26,751)	(24,121)
31st March	<u>479,139</u>	<u>416,392</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Government Pension Scheme's assets consist of the following categories:-

	2015		2014	
	£000	£000	£000	£000
Equity investments:				
UK Quoted*	0		41,635	
Global Quoted*	35,935		24,984	
Global Unquoted	16,770		16,656	
US*	0		12,492	
Japan*	0		12,492	
Europe*	0		12,492	
Emerging Markets*	28,748		24,984	
Frontier*	4,791		4,164	
Far East*	0		24,984	
		86,244		174,883
Bonds:				
Overseas Other	62,288		58,295	
LDI*	110,202			
		172,490		58,295
Property:				
UK*	14,374		12,492	
Overseas	19,166		20,820	
		33,540		33,312
Cash:				
Cash Accounts*	14,374		12,492	
		14,374		12,492
Alternatives:				
Hedge Funds	19,166		16,656	
Private Equity	52,705		49,967	
Infrastructure	9,583		8,328	
Timber & Agriculture	9,583		8,328	
Commodities	9,583		12,492	
GTAA	71,871		41,639	
		172,491		137,410
		479,139		416,392

\* Denotes classes of assets that have a quoted market price in an active market.

The scheme maintains positions in a variety of financial instruments which exposes it to a variety of financial risks including credit risk, counterparty risk, liquidity risk, market risk and exchange rate risk. Risk management procedures are annually reviewed and focus on the unpredictability of financial markets and implementing restrictions to minimize these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 31<sup>st</sup> March 2013. The significant assumptions used by the actuary are:-

	2015	2014
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners -		
Men	23.4 yrs	23.3 yrs
Women	25.9 yrs	25.8 yrs
Longevity at 65 for future pensioners -		
Men	26.3 yrs	26.2 yrs
Women	29.3 yrs	29.2 yrs
Rate of inflation (Consumer Prices Index)	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%
Rate of increase in pensions	2.0%	2.4%
Rate for discounting scheme liabilities	3.3%	4.5%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below are calculated by altering relevant assumptions by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related; for example, if the scenario is to show the effect of higher than expected inflation, it might be reasonable to expect that nominal yields on corporate bonds will be higher too. However, the analysis isolates one effect from another.

	Impact of Increase on Defined Benefit Obligation	Impact of Decrease on Defined Benefit Obligation
	£000	£000
Longevity (increase / decrease in 1 year)	(15,974)	15,974
Rate of inflation (increase / decrease by 0.1%)	(15,061)	15,061
Rate of increase in salaries (increase / decrease by 0.1%)	(3,684)	3,684
Discount Rate (increase / decrease by 0.1%)	14,789	(14,786)

Increases in pensions are linked to increases to inflation (CPI) therefore the impact is the same for rate of inflation and rate of increases in pensions.

### Impact on Cash Flows

Regulations governing the scheme require actuarial valuation to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the scheme's solvency, and the detailed provisions are set out in the Clwyd Pension Fund Funding Strategy Statement. The most recent valuation was carried out as at 31<sup>st</sup> March 2013, which showed a shortfall of assets against liabilities of £0.55 billion as at that date; equivalent to a funding level of 68%. The scheme's employers are paying additional contributions over a period of up to 20 years in order to meet the shortfall.

The total contributions expected to be made to the LGPS by the Council in the year to 31<sup>st</sup> March 2016 is £20.531m.

The duration of the defined benefit obligation for LGPS members is 19 years, 2014/15 (19 years 2103/14).

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2015

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 the legislative framework; 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 Statement.

	2015		2014	
	£000	£000	£000	£000
<b>Expenditure</b>				
Repairs and maintenance		8,261		9,014
Management and supervision		3,925		3,873
Rents, rates, taxes and other charges		879		990
Housing revenue account subsidy payable		6,234		6,328
Depreciation and impairment of non-current assets *		18,775		14,284
Debt management costs		10		11
Increase in bad debt provision		186		216
<b>Total expenditure *</b>		38,270		34,716
<b>Income</b>				
Dwelling rents (gross) **	27,588		27,017	
Non-dwelling rents (gross) **	364		373	
		27,952		27,390
Charges for services and facilities		675		831
<b>Total income</b>		28,627		28,221
<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement *</b>		9,643		6,495
HRA share of Corporate and Democratic Core		72		48
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		197		(92)
<b>Net cost of HRA services *</b>		9,912		6,451
Interest payable and similar charges		1,303		1,384
HRA investment income		(7)		(9)
Pensions interest cost		525		586
Net loss on the disposal of non-current assets		138		144
<b>Total (surplus) / deficit for the year on HRA services *</b>		11,871		8,556

\* Prior period adjustment - see Note 38

\*\* Prior period adjustment - £101k

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

for the year ended 31<sup>st</sup> March 2015

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</b>	<b>2015</b>	<b>2014</b>
	<b>(from core notes)</b>	<b>£000</b>	<b>£000</b>
At 1st April		1,662	1,931
Surplus/(deficit) on the HRA income and expenditure statement *		(11,871)	(8,556)
<b>Total comprehensive income and expenditure *</b>		<b>(11,871)</b>	<b>(8,556)</b>
Adjustments between accounting and funding basis under regulations*	5	11,719	8,279
<b>Net increase/(decrease) before transfer to earmarked reserves</b>		<b>(152)</b>	<b>(277)</b>
Transfers (to)/from earmarked reserves		0	8
<b>Increase/(decrease) in year on the HRA</b>		<b>(152)</b>	<b>(269)</b>
At 31st March		<b>1,510</b>	<b>1,662</b>

\* Prior period adjustment - see Note 38

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

### 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 31<sup>st</sup> March 2015 were:-

Type	2015 No.	2014 No.
Houses	4,051	4,064
Flats	1,364	1,375
Maisonettes	108	145
Bungalows	1,796	1,796
	<u>7,319</u>	<u>7,380</u>

### 3. RENT ARREARS

The rents total of £951k (£1,165k in 2013/14) 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.

Analysis of arrears	2015 £000	2014 £000
<b>Rents</b>		
Current tenants	774	744
Former tenants	177	421
	<u>951</u>	<u>1,165</u>
<b>Provision for impairment losses (bad debts)</b>		
Opening provision	706	750
Written off in year	(464)	(260)
Increase in provision	186	216
	<u>428</u>	<u>706</u>

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

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Financing

Housing revenue account capital expenditure of £11,994k (£12,874k in 2013/14) 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	0	5,110	6,884	11,994
	<u>0</u>	<u>5,110</u>	<u>6,884</u>	<u>11,994</u>

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,110k) is the 2014/15 MRA allocation figure of £5,110k (£5,200k in 2013/14). 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 2014/15 in financing qualifying capital expenditure.

#### Capital Receipts

Gross capital receipts of £858k (£563k in 2013/14) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Council dwellings	858	501
Mortgages	0	2
Land sales	0	60
	<u>858</u>	<u>563</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 £5,110k (£5,208k in 2013/14) is based on the 2014/15 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Dwellings	5,099	5,196 (equating to the value of MRA)
Garages	11	12
Plant and equipment	0	0
	<u>5,110</u>	<u>5,208</u>

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

A HRA dwellings impairment adjustment total of £13,629k was accounted for in 2014/15 (£10,779k in 2013/14) and no revenue expenditure funded from capital under statute (£0k in 2013/14).

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

### 5. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

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 required to the HRA is based on the employers' contributions made in year, so the real cost of retirement benefits is reversed out in the movement in reserves statement.

The HRA transactions in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:-

	2015		2014	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	834		857	
Curtailements/settlements	197		9	
<b>Other Operating Expenditure -</b>	<u>          </u>	1,031	<u>          </u>	866
Administration expenses	22		21	
<b>Financing and Investment Income and Expenditure</b>		22		21
Net interest expense	<u>525</u>		<u>586</u>	
		525		586
<b>Total HRA Charge</b>		<u>1,578</u>		<u>1,473</u>
 <b>Movement in Reserves Statement</b>				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(1,578)		(1,473)
 <b>Actual amount charged against the HRA balance for pensions in the year:</b>				
Employers' contributions payable to scheme		1,173		949

## CLWYD PENSION FUND ACCOUNTS

for the year ended 31<sup>st</sup> March 2015

### 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 set annually by the Clwyd Pension Fund Committee, consisting of eight elected Members and one employee representative, each with equal voting rights, access to training and to information. The Fund's investment management arrangements were implemented by eleven investment managers during 2014/15.

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 that 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 funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31<sup>st</sup> March 2015. Employee contributions are added to employer contributions which are set based on triennial actuarial funding valuations. The benefits of the scheme are also prescribed nationally by the 2013 Regulations (as amended). The last valuation was at 31<sup>st</sup> March 2013, the findings of which became effective on 1<sup>st</sup> April 2014. The valuation showed that the funding level decreased from the previous valuation (31<sup>st</sup> March 2010) from 72% to 68%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over an 18 year period. This implies an average employer contribution rate of 13.8% and a total payment of £32.6m per annum for deficit contributions, increasing at 4.1% per annum. The LGPS (Management and Investment of Funds) Regulations 2009 (as amended) contains rules governing the management of the Fund, Investment Managers, Investments and use of Fund money and restrictions on investments.

Membership of the LGPS is voluntary and organisations participating in the Clwyd Pension Fund include:

- Scheduled bodies, that are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies that are organisations which participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar contractors undertaking a local authority function following outsourcing to the private sector.

The membership of the Fund as at 31<sup>st</sup> March 2015 and 2014 is shown below:

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
Active Members	15,941	16,133
Pensioners & Survivors		
Ex employees	9,272	8,805
Survivors	1,591	1,562
Other		
Preserved benefits/ Undecided	12,433	11,480
Frozen Refund	871	834
	<u>40,108</u>	<u>38,814</u>



## CLWYD PENSION FUND ACCOUNTS

The scheduled bodies which contributed to the Fund during 2014/15 are:

Unitary Authorities:	Flintshire, Denbighshire, Wrexham.
Educational Organisations:	Coleg Cambria, Glyndwr University.
Town and Community Councils:	Argoed, Coedpoeth, Connah's Quay, Hawarden, Rhosllanerchrugog, Buckley, Prestatyn, Offa, Mold, Caia Park, Rhyl, Shotton, Llanasa.
Other:	North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are:-

Other: Careers Wales, Cartref y Dyffryn Ceiriog, Compass Group UK, Denbighshire Voluntary Services, Bodelwyddan Castle Trust, Grosvenor Facilities Management, Wrexham Commercial Services..

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 to the Annual Joint Consultative Meeting for employers and member representatives that is held annually.

### **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year end as at 31<sup>st</sup> March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 14 of these accounts.

In summary, accounting policies adopted are detailed as follows:

- Contributions, benefits and investment income due are included on an accruals basis.
- Investments are included in the accounts at market value, usually bid price.
- Debtors and creditors are raised for all amounts outstanding at 31<sup>st</sup> March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out are accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees.
- Administration expenses are accounted for on an accruals basis. All Flintshire County Council staff costs are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.
- Acquisition costs of investments include all direct transaction costs and sales receipts are net of all direct transaction costs.

## CLWYD PENSION FUND ACCOUNTS

		2015		2014	
	Note	£000	£000	£000	£000
<b>Contributions and Benefits</b>					
Contributions receivable :					
From employers (Normal)	1	29,434		27,393	
From employers (Deficit)	1	28,590		24,896	
From employees or members	1	<u>14,929</u>		<u>14,688</u>	
			72,953		66,977
Transfers in		2,202		3,801	
Other income		<u>3,726</u>		<u>1,918</u>	
			5,928		5,719
			78,881		72,696
Benefits payable :					
Pensions	1	50,338		46,885	
Lump sums (retirement)	1	13,503		12,331	
Lump sums (death grants)	1	<u>1,796</u>		<u>1,921</u>	
			65,637		61,137
Payments to and on account of leavers :					
Refunds of contributions		83		26	
Transfers out (individual)		1,788		2,919	
Transfers out (bulk)		0		242	
Other		165		77	
Expenses borne by the scheme	2	<u>18,289</u>		<u>7,367</u>	
			20,325		10,631
			85,962		71,768
<b>NET ADDITIONS (WITHDRAWALS)</b>			(7,081)		928
<b>Returns on Investments</b>					
Investment income	4		5,345		2,721
Change in market value of investments (Realised and Unrealised)	4		182,718		28,686
<b>NET RETURNS ON INVESTMENT</b>			188,063		31,407
<b>NET (DECREASE)/INCREASE IN THE FUND</b>			<u>180,982</u>		<u>32,335</u>
<b>OPENING NET ASSETS OF THE SCHEME</b>			<u>1,213,567</u>		<u>1,181,232</u>
<b>CLOSING NET ASSETS OF THE SCHEME</b>			<u>1,394,549</u>		<u>1,213,567</u>

## CLWYD PENSION FUND ACCOUNTS

	Note	2015 £000	2014 £000
<b>Net Assets Statement</b>			
<b>Investment Assets :</b>	<b>5</b>		
Managed fixed interest fund		172,749	174,002
Managed overseas equity funds		247,289	281,343
Managed multi strategy funds		205,260	115,487
Property funds		103,314	97,780
Infrastructure funds		32,988	29,636
Timberland / Agricultural funds		26,894	22,382
Commodity funds		24,962	32,084
Private equity funds		141,548	139,799
Hedge fund of funds		48,750	48,393
Liability Driven Investment		329,101	227,459
Opportunistic Funds		10,008	12,517
Cash	<b>7</b>	47,591	31,928
<b>Current Assets :</b>			
Due within 1 year	<b>8</b>	6,236	4,745
<b>Current liabilities</b>	<b>8</b>	(2,141)	(3,988)
<b>NET ASSETS AT 31<sup>st</sup> MARCH</b>		1,394,549	1,213,567

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 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 eligible pensionable employees. The total contributions received during 2014/15 amounted to £58.024m (£52.289m in 2013/14) from employers and £14.929m (£14.688m in 2013/14) from employees.

The employers total comprised an amount of £29.434m (£27.393m in 2013/14) relating to the common contribution rate average of 13.8% paid by all employers and £28.590m (£24.896m in 2013/14) 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 payable is shown below:-

	<b>Benefits Payable</b>	<b>Contributions Receivable</b>
<b>Scheduled Bodies</b>	<b>£000</b>	<b>£000</b>
Flintshire County Council	24,172	24,648
Wrexham County Borough Council	19,956	21,789
Denbighshire County Council	14,728	17,549
Fund apportionment with :		
Gwynedd and Powys County Councils	2,347	0
Educational Organisations	2,918	6,737
Town and Community Councils	131	286
Others - scheduled bodies	605	1,359
Others - admitted bodies	780	585
	65,637	72,953

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 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 pension administration and investment management is shown in the following table. The main increase in oversight and governance expenses relates to new appointments of an external consultant and an independent advisor, both of whom have contributed to a major review of the Fund's investment strategy and changes to the governance structure of the Fund. The consultancy fees also reflect the ongoing monitoring of the Long Term Management of Funding Risk mandate.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2015 £000	2014 £000
<b>Oversight &amp; Governance</b>		
Employee Costs	218	182
Support Services	33	52
Supplies and Services	49	47
Consultancy & Actuarial	750	377
Performance	20	25
Audit	37	35
Legal	21	31
	1,128	749
<b>Investment Management Fees</b>		
Net Fund Management Fees	16,127	5,571
Custody Fees	32	17
	16,159	5,588
<b>Administration Costs</b>		
Employee Costs	592	599
Support Services	156	197
Outsourcing	32	0
Supplies & Services	222	234
	1,002	1,030
<b>Total Fees</b>	18,289	7,367

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. For 2014/15, Funds are now required to identify all costs in addition to the Annual Management Charge from managers. The table below shows the breakdown of the £16.127m net fund management fees and also the equivalent for 2013/14 which, if restated, would total £15.359m.

	2015 £000	2014 £000
<b>Fund Management Fees</b>		
<b>Core</b>		
Annual Management Charge	6,152	5,571
Underlying Fees	833	773
Performance Fees	720	1,206
Transaction Fees	1,096	344
<b>Non-Core</b>		
Annual Management Charge	4,078	3,937
Underlying Fees	1,058	1,510
Performance Fees	1,759	1,404
Transaction Fees	431	614
	16,127	15,359

**Non-Core** refers to Property, Infrastructure, Private Equity, Opportunistic and Timber and Agriculture investments.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

The above fees are defined as:

- Annual Management Charge (AMC): Fund managers apply an AMC to cover ongoing management costs such as portfolio managers and research managers. It does not usually include such costs as accounting and legal services.
- Performance Fees: these are any fee paid to a manager that is directly linked to achieving a specified outcome such as a benchmark such as the FTSE, a high watermark where the manager has to make up for any past underperformance or a hurdle rate which is a rate that has to be exceeded before a performance fee is paid. .
- Underlying Fees: certain types of investments (e.g. hedge funds and private equity) are commonly accessed through a fund of funds structure. Thus investments would be made by a manager who invests in other funds and it is the costs of these underlying funds that are included here.
- Transaction Fees: those costs that are directly attributable to the acquisition and 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.

As mentioned above, Investment management fees are based on valuations of the investments and thus will increase as the value of the investments increase. Total fees as a percentage of the net asset value of the fund was 1.16% for 2014/15 (1.27% 2013/14). A full review was undertaken during 2014/15 (Note 9 details) and whilst some of this will not be in place until 2015/16 it is estimated that, on a full year basis and current valuations, a reduction of approximately £1.47m will be realised.

### 3. INVESTMENTS AND PERFORMANCE

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

The Council uses the investment performance services of the WM Company. Their report for the financial year 2014/15 showed that the Fund achieved an overall return of +14.0% from its investments (+2.1% in 2013/14). This compares with the Fund's benchmark return of +13.9% for the year.

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

#### Overview

The Fund invests its surplus monies in assets through a wide range of managers. All these main investments are through pooled vehicles where the Fund is one of many investors and where these pooled monies are invested on a common basis although, in the Fund's alternative assets, there are a couple of quoted holdings. Generally, however, the Fund has no direct holdings of equities, bonds, properties, private equity companies, commodities or other financial instruments.

#### Transactions and Return on Investments

Details of the 2014/15 investment transactions and the net profit on sales of £57.213m (£107.501m in 2013/14) together with investment income of £5.345m (£2.721m in 2013/14) are set out below. The unrealised profit for 2014/15, because of the change in the market value of investments, amounted to £125.505m (£78.815m loss in 2013/14). Therefore, the increase in market value of investments (realised and unrealised) is £182.718m (£28.686m in 2013/14).

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2013/14 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2014/15 £000	Investment Income £000
Fixed Interest Securities	174,002	0	0	0	(1,253)	172,749	0
Liability Driven Investment	227,459	0	0	0	101,642	329,101	0
Overseas Equities Active	281,343	15,824	(87,442)	36,439	1,125	247,289	0
Multi Strategy	115,487	85,133	0	0	4,640	205,260	0
Property	97,780	12,170	(20,303)	1,948	11,719	103,314	1,948
Infrastructure	29,636	3,368	(4,385)	163	4,206	32,988	901
Timber & Agriculture	22,382	4,055	(160)	0	617	26,894	101
Commodities	32,084	0	0	0	(7,122)	24,962	0
Private Equity	139,799	19,620	(31,226)	3,812	9,543	141,548	2,010
Opportunistic	12,517	2,207	(4,961)	638	(393)	10,008	231
Hedge Fund of Funds	48,393	0	(593)	169	781	48,750	0
	<u>1,180,882</u>	<u>142,377</u>	<u>(149,070)</u>	<u>43,169</u>	<u>125,505</u>	<u>1,342,863</u>	<u>5,191</u>
Cash	31,928	0	0	0	0	47,591	0
Fees within Pooled Vehicles	0	0	0	14,032	0	0	0
Interest	0	0	0	0	0	0	154
Currency	0	0	0	12	0	0	0
	<u>31,928</u>	<u>0</u>	<u>0</u>	<u>14,044</u>	<u>0</u>	<u>47,591</u>	<u>154</u>
Total 2014/15	<u>1,212,810</u>	<u>142,377</u>	<u>(149,070)</u>	<u>57,213</u>	<u>125,505</u>	<u>1,390,454</u>	<u>5,345</u>
2013/14	<u>1,179,061</u>	<u>501,018</u>	<u>(505,043)</u>	<u>107,501</u>	<u>(78,815)</u>	<u>1,212,810</u>	<u>2,721</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2012/13	Purchases	Sales	Realised Gain (Loss)	Unrealised Gain (Loss)	Market Value 2013/14	Investment Income
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	175,148	174,002	(174,002)	43,451	(44,597)	174,002	0
UK Equities Passive	0	230,000	0	0	(2,541)	227,459	0
Overseas Equities Active	122,222	0	(136,167)	33,414	(19,469)	0	0
Overseas Equities Passive	288,379	50,042	(49,281)	1,202	(8,999)	281,343	8
Multi Strategy	103,218	0	(111,813)	22,576	(13,981)	0	0
Property	120,380	130	0	0	(5,023)	115,487	0
Infrastructure	82,260	16,727	(8,050)	6	6,837	97,780	1,790
Timber & Agriculture	23,907	3,847	(1,622)	631	2,873	29,636	203
Commodities	20,511	3,068	(413)	0	(784)	22,382	0
Private Equity	34,588	0	0	0	(2,504)	32,084	0
Opportunistic	138,137	17,523	(22,991)	629	6,501	139,799	328
Hedge Fund of Funds	5,910	5,679	(292)	0	1,220	12,517	254
Leveraged Loans	47,070	0	(412)	83	1,652	48,393	0
	<u>1,161,730</u>	<u>501,018</u>	<u>(505,043)</u>	<u>101,992</u>	<u>(78,815)</u>	<u>1,180,882</u>	<u>2,583</u>
Cash	17,331	0	0	0	0	31,928	0
Fees within Pooled Vehicles	0	0	0	5,579	0	0	0
Interest	0	0	0	0	0	0	138
Currency	0	0	0	(70)	0	0	0
	<u>17,331</u>	<u>0</u>	<u>0</u>	<u>5,509</u>	<u>0</u>	<u>31,928</u>	<u>138</u>
Total 2013/14	<u>1,179,061</u>	<u>501,018</u>	<u>(505,043)</u>	<u>107,501</u>	<u>(78,815)</u>	<u>1,212,810</u>	<u>2,721</u>
2012/13	<u>1,083,854</u>	<u>54,629</u>	<u>(45,161)</u>	<u>8,854</u>	<u>101,259</u>	<u>1,179,061</u>	<u>2,397</u>

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

The book cost of the investments as at 31<sup>st</sup> March 2015 is £1,083.899m (£1,047.423m in 2013/14). The market value of investments as at 31<sup>st</sup> March 2015 is £1,342.863m (£1,180.882m in 2013/14); this can be analysed as follows:



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### By Continent

The UK holdings as at 31<sup>st</sup> March 2015 account for 32% of total investments at market value:

	2015	2014
	£000	£000
UK	430,983	323,254
Europe	112,885	118,047
Asia Pacific	0	76,598
North America	99,985	88,272
Emerging/ Frontier markets	93,653	83,023
Global Investments	605,357	491,688
	1,342,863	1,180,882

### By Fund Manager

	2015		2014	
	£000	%	£000	%
BlackRock	50,330	4	50,922	4
Wellington	109,235	8	106,314	9
Aberdeen	9,380	1	85,391	7
Insight	329,101	24	227,459	19
Pioneer	1,324	0	1,539	0
Liongate	21,977	2	22,377	2
SSARIS	25,449	2	24,477	2
Duet	50,299	4	49,954	4
BlueCrest	34,409	3	32,032	3
Investec	163,885	12	71,768	6
Stone Harbor	172,749	13	174,002	15
Pyrford	59,973	4	32,533	3
Property	103,314	8	97,780	8
Infrastructure	32,988	2	29,636	3
Timber / Agriculture	26,894	2	22,382	2
Private Equity	141,548	10	139,799	12
Opportunistic	10,008	1	12,517	1
	1,342,863	100	1,180,882	100

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### By Listed /Managed

	2015			2014		
	Listed Managed	Listed	Unlisted	Listed Managed	Listed	Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	172,749	0	0	174,002
Overseas Equities	196,990	0	50,299	231,389	0	49,954
Multi Strategy	205,260	0	0	115,487	0	0
Property	36,018	0	67,296	31,738	0	66,042
Infrastructure	0	6,712	26,276	0	5,549	24,087
Timber / Agriculture	0	0	26,894	0	0	22,382
Commodities	0	0	24,962	0	0	32,084
Private Equity	0	2,114	139,434	0	2,809	136,990
Hedge Fund of Funds	21,977	0	26,773	22,377	0	26,016
Opportunistic	0	0	10,008	0	0	12,517
Liability Driven Investment	329,101	0	0	227,459	0	0
	789,346	8,826	544,691	628,450	8,358	544,074
			1,342,863			1,180,882

## 6. FAIR VALUE OF INVESTMENTS

### Financial Instruments

Whilst the Fund invests almost exclusively through pooled vehicles, the managers of these vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). It is effectively a trading activity to generate income rather than an investment. The Fund has no direct exposure to stock lending.

### Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31<sup>st</sup> March 2015 on the following bases.

- UK and overseas listed securities are valued within the respective pooled vehicles using the official bid prices quoted on the relevant stock exchange. Overseas holdings are converted to sterling at an exchange rate quoted at close of business on 31<sup>st</sup> March 2015.
- Unit trusts are valued at the bid market price.
- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31<sup>st</sup> March 2015. Where a bid price is not available the assets are priced at the net asset value provided.
- Property funds are valued at the bid market price, which is based upon regular independent valuation of the pooled vehicles' underlying property holdings.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

- Private equity holdings are interests in limited partnerships. It is important to recognise the highly subjective nature of determining the fair value of these investments. They are inherently based on forward looking estimates and judgments involving many factors. These holdings are valued based upon the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective managers. Where these valuations are not at the Fund's balance sheet date, the valuations are adjusted having due regard to the latest dealings, asset values and other financial information available at the time of preparing these statements in order to reflect the Fund's balance sheet date. The managers' valuation statements are prepared in accordance with the European Private Equity and Venture Capital Association (EVCA) Guidelines, net of carried interest. These incorporate the US-based FAS157 protocol on valuation approaches –
  - Market – uses prices and other relevant data generated by market transactions involving identical or comparable assets/liabilities (e.g. money multiples)
  - Income – uses valuation techniques to convert expected future amounts to a single present amount (discounted cash flows or earnings)
  - Cost – based upon the amount that currently would be required to replace the service capacity of an asset (adjusted for obsolescence)

Managers are required “to use the method that is appropriate in the circumstances and for which sufficient data is used and to apply the approach consistently until no longer appropriate.” It is also possible to use multiple or combinations of approaches. Most private equity managers use a combination of the “market” and “income” approaches.

- Infrastructure investments are generally carried at the lower of cost and fair value, except where there are specific upward or downward valuations. In estimating fair value, managers use their judgment, having regard to the EVCA guidelines noted above for valuing unquoted investments. Upward valuations are considered only where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted regardless of the investment stage where the manager considers that there is impairment to the underlying investment.
- Timberland investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by underlying managers or vehicles. In circumstances where audited financial statements are not available to 31<sup>st</sup> March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.
- Commodity exposure is actively managed through the use of exchange traded and OTC derivative instruments (Futures, Options and Swaps) and some securities. Exchange traded derivatives are priced using a vendor file sent daily from Bloomberg with IDC as a second source. These prices are sourced directly from the derivative exchanges. Options receive the last trade price on the primary exchange. If an option does not trade, the bid price is utilized to value the option. Valuations for OTC options are sourced from brokers/dealers that are usually the counterparty to the deal. If the necessary inputs are available from vendors on a schedule that permits same day pricing, OTC options may be valued using a vendor-supplied option calculator, with the dealer price used to validate the model results. Residual cash is primarily invested in short-dated investment-grade, US dollar-denominated debt obligations.
- Funds of hedge funds and multi-strategy hedge funds are valued monthly to create a net asset value on the basis of the Fund's proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the Fund's investment in a related pool represents the amount that the Fund could be reasonably expected to receive from the pool if the Fund's investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

- GTAA funds invest for the most part in markets that are not exchange-based. These include OTC or “interdealer” markets and leverage is utilized by such funds to a significant level. If market prices are not available or do not reflect current market prices, the Fund applies its own pricing policies by reference to such relevant prices as are available to establish a fair value for the assets held.

### Fair Value – Hierarchy

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

#### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and unit trusts. Listed investments are shown at bid price.

#### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where those techniques use inputs that are based significantly on observable market data.

#### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data. Such instruments would be unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgment in determining appropriate assumption.

The following tables show the position of the Fund’s assets at 31<sup>st</sup> March 2015 and 31<sup>st</sup> March 2014 based upon this hierarchy.

	Market Value 2014/15 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	172,749	0	172,749	0
Liability Driven Investment	329,101	329,101	0	0
Overseas Equities Active	247,289	237,671	9,618	0
Multi Strategy	205,260	126,556	78,704	0
Property (1)	103,314	0	36,018	67,296
Infrastructure (1)	32,988	6,712	0	26,276
Timber & Agriculture (1)	26,894	0	0	26,894
Commodities	24,962	0	24,962	0
Private Equity (2)	141,548	2,114	0	139,434
Hedge Fund of Funds	48,750	0	45,833	2,917
Opportunistic Funds (2)	10,008	0	0	10,008
	1,342,863	702,154	367,884	272,825
Cash	47,591	47,591	0	0
Total 2014/15	1,390,454	749,745	367,884	272,825

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

(1) Property/ Infrastructure/ Timber and Agriculture - Various valuation bases are used. Direct fund holdings are valued based upon independent valuations, these have been classified as level 2, and some funds also often hold joint venture and partnership interests that are subject to a variety of valuation methodologies. To be conservative, these funds have been classified Level 3 unless the fund itself is quoted.

(2) Private Equity and Opportunistic Funds - Various valuation bases are used including cost, quoted prices (often discounted for “lock-ups”, transaction multiples, market multiples, future realisation proceeds, company prospects, third party opinion etc. Company and fund valuations often reflect combinations of these valuation bases. To be conservative, all funds have been classified Level 3 unless the fund itself is quoted.

Within the investments shown above as (1) or (2), whilst a small proportion are listed, the majority of the holdings are in unquoted investments; (£305.926m) compared to £293.756m in 2013/14. These are valued at a fair value by the fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgment, and due to the subjectivity and variability of these valuations there is an increased likelihood that the valuations included in the financial statements would not be realised in the event of a sale. The difference could be materially lower or higher.

	<b>Market Value 2013/14</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fixed Interest Securities	174,002	17	173,985	0
Liability Driven Investment	227,459	227,459	0	0
Overseas Equities Active	281,343	280,147	1,196	0
Multi Strategy	115,487	47,377	68,110	0
Property (1)	97,780	0	31,738	66,042
Infrastructure (1)	29,636	5,549	0	24,087
Timber & Agriculture (1)	22,382	0	0	22,382
Commodities	32,084	15,432	16,652	0
Private Equity (2)	139,799	2,809	0	136,990
Hedge Fund of Funds	48,393	0	45,809	2,584
Opportunistic Funds (2)	12,517	0	0	12,517
	1,180,882	578,790	337,490	264,602
Cash	31,928	31,928	0	0
Total 2013/14	1,212,810	610,718	337,490	264,602

### 7. INVESTMENT RISKS

As demonstrated, the Fund maintains positions in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity products. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (amended) and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. The SIP and FSS can be found on the Fund's website ([www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk)).

The Fund carries out a formal review of its structure at least every 4 years, usually every 3 years. The last review was carried out in 2014. The Fund is currently transitioning assets, details of which are shown in Note 10. The Fund's Consultants, JLT Group determined that the resulting asset mix coupled with the requirements for certain fund managers to outperform their market indices should produce long-term returns of 7.2% with a volatility of around 11%. A key element in this review process was the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- private equity – by stage, geography and vintage where funds of funds are not used
- property – by type, risk profile, geography and vintage (on closed-ended funds)
- infrastructure – by type (primary/secondary), geography and vintage
- hedge funds – bespoke funds via a managed account platform

The Fund invests in a Long Term Management of Risk mandate. The strategy provides a framework to enable the Fund to effectively reduce risk when market conditions become more favourable (i.e. bonds become cheaper). The framework includes both market yield based triggers and funding level triggers. In particular, the manager makes use of Liability Driven Investment (LDI) techniques to increase the level of hedging within the Fund. This is achieved through the physical purchase of gilts along with repurchase agreements (repo). These allow the fund to gain "unfunded" exposure to gilts. The manager also replicates the Fund's developed passive equity allocation using Equity Total Return Swaps (TRS).

### Roll risk

The LDI manager has the facility to use repurchase agreements, once these agreements mature, they need to be replaced with other contracts to maintain the relevant exposure (known as "rolling" the contract). This involves managing the operational risks raised to ensure sufficient resources are in place to arrange the trades and manage the process. In addition, as a contract matures, the underlying market for repo may become illiquid and at the extreme, the manager may not be able to roll the position. This is mitigated by structuring the overall repo over a range of maturity dates and diversifying counterparty exposure.

### Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 24% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above, almost all the Fund's investment are through pooled vehicles and a number of these are involved in derivative trades of various sorts, including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties.

However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk. Once appointed, managers are required to provide copies of their annual internal control reports for review to ensure that the standards expected are maintained.

Deposits are not made with banks and financial institutions unless they are rated independently.

Subject to cash flow requirements, cash can be deposited in one of the following:

- The Pension Fund bank account with the National Westminster Bank for daily liquidity
- A National Westminster deposit account with access up to 180 days notice
- A Money Market AAA Fund for unexpected liquidity requirements or higher rates of return.

The Fund believes it has managed its exposure to credit risk and has no experience of default or uncollectible deposits in the last three financial years. The Fund's cash holdings as at 31<sup>st</sup> March 2015 were £47.591m (£31.928m at 31<sup>st</sup> March 2014). This was held as follows:

	Rating	2015 £000	2014 £000
<b>Money Market Funds</b>			
BlackRock	AAA	482	480
Bank of New York Mellon	AAA	3,374	928
<b>Bank Deposit Accounts</b>			
National Westminster Bank PLC	BBB+	43,715	30,500
<b>Bank Current Accounts</b>			
National Westminster Bank PLC	BBB+	20	20
		47,591	31,928

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's bond portfolio is managed on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31<sup>st</sup> March 2015, the Fund's exposure to non-investment grade paper was £63.571million or 37% of the fixed interest portfolio (38.0% at 31<sup>st</sup> March 2014).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.
- The Fund also has residual "side pocketed" holdings with one manager, which are currently illiquid. Details of this holding is set out as follows:

	Book Cost £000	Market Value £000
Hedge Fund of Funds - Pioneer	795	1,324
	795	1,324

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Liquidity Risk

The Pension Fund has its own bank account. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered. Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential and undertaken regularly by the Fund.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities (including synthetic equity exposure) and bonds now comprise 54% of the Fund's total value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

On alternative assets the position is more mixed. Whilst there are a couple of quoted vehicles here, most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property and infrastructure funds are effectively illiquid for the specified fund period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31<sup>st</sup> March 2015 by liquidity profile.

	Market Value 2014/15	1 Month	2 - 3 Months	3 - 6 Months	6 - 12 Months	Closed - ended	Locked
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	172,749	172,749	0	0	0	0	0
Liability Driven Investment	329,101	329,101	0	0	0	0	0
Overseas Equities Active	247,289	239,744	0	7,545	0	0	0
Multi Strategy	205,260	205,260	0	0	0	0	0
Property	103,314	0	36,018	0	0	67,296	0
Infrastructure	32,988	6,712	0	0	0	26,276	0
Timber & Agriculture	26,894	0	0	0	0	26,894	0
Commodities	24,962	24,962	0	0	0	0	0
Private Equity	141,548	2,114	0	0	0	139,434	0
Hedge Fund of Funds	48,750	5,055	4,907	35,660	1,804	0	1,324
Opportunistic Funds	10,008	0	0	0	0	10,008	0
	1,342,863	985,697	40,925	43,205	1,804	269,908	1,324

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach was applied and all such investments have been designated "within 2-3 months".



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4).

In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2014. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation.

As can be seen from the table, even using the conservative basis outlined above, around 73% of the portfolio is realisable within 1 month.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

Market risk is comprised of two elements:

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risk by exceeding market performance.

The following table sets out an analysis of the Fund's market risk positions at 31<sup>st</sup> March 2015 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark and managers' maximum target volatility (or risk) against index in achieving this. This expected risk is based on 10 year historic returns and volatility.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Manager	Market Value 2014/15 £000	Benchmark	Target  (Net)	Risk (<)  %
Fixed Interest Securities	Stone Harbor	172,749	1 Month LIBOR	+1.0%	6.0
Liability Driven Investment	Insight	329,101	Liability / FTSE	Match	21.0
Foreign equities–active	Investec	103,337	MSCI AC World NDR	+2.5%	14.0
	Aberdeen	9,380	MSCI Frontier Markets	+1.5%	20.0
	Wellington	84,273	MSCI EM Free	+1.5%	21.0
	Duet	50,299	3 Month LIBOR	+4.5%	3.0
	Multistrategy funds	BlackRock	50,330	3 Month LIBOR	+4.5%
	Investec	60,548	UK CPI	+4.6%	9.0
	BlueCrest	34,409	3 Month LIBOR	+4.0%	6.0
	Pyrford	59,973	RPI	+4.5%	9.0
Hedge fund of funds	Liongate	21,977	3 Month LIBOR	+5.0%	6.0
	SSARIS	25,449	3 Month LIBOR	+3.0%	6.0
	Pioneer	1,324	3 Month LIBOR	+3.0%	6.0
Commodity fund	Wellington	24,962	GCSI Equally Weighted	+1.0%	15.0
Property funds	Various	103,314	IPD Balanced PUTs	Exceed	5.0
Infrastructure funds	Various	32,988	3 Month LIBOR	+5.0%	10.0
Timber /Agricultural funds	Various	26,894	3 Month LIBOR	+5.0%	10.0
Private equity funds	Various	141,548	3 Month LIBOR	+5.0%	28.0
Opportunistic funds	Various	10,008	3 Month LIBOR	+5.0%	28.0
		1,342,863			

The risks associated with volatility in market values are mainly managed through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended). The Fund also adopts a specific strategic benchmark (details are in the Fund's SIP) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions, there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation model, is designed to diversify and minimise risk for a specific level of performance through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current strategic benchmark is targeted to produce long-term returns of 7.2% with a volatility of around 11%.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects. On property and private equity, fund and manager diversification is vital and, whilst a full list of investments is not detailed here, the Fund has exposures as follows:

	Market Value 2015 £000	Managers No.	Funds No.	Properties / Companies Estimated No.
Real Assets	163,196	22	38	>280
Private Equity / Opportunistic	151,556	21	63	>4,000

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the fund's investment strategy.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurer, WM Company, the fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	6.00%
Oveseas Equity	9.82%
Global Fixed Income	4.24%
Liability Driven Investing	12.82%
Alternatives	2.90%
Property	3.31%
Cash	0.01%

The sensitivities are consistent with the assumptions provided by WM Company based on historic data collated for the Fund. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Had the market price of the Fund's investments increased / decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (prior year comparator also provided).

Asset Type	Market Value 2014/15	Percentage Change %	Value on Increase £000	Value on Decrease £000
<b>Cash and cash equivalents</b>	47,591	0.01	47,596	47,586
<b>Investment portfolio assets:-</b>				
Global Equity inc UK	153,636	6.00	162,854	144,418
Overseas Equity	93,653	9.82	102,850	84,456
Global Fixed Income	172,749	4.24	180,074	165,424
Liability Driven Investing	329,101	12.82	371,292	286,910
Alternatives	490,410	2.90	504,632	476,188
Property	103,314	3.31	106,734	99,894
	<u>1,390,454</u>		<u>1,476,032</u>	<u>1,304,876</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Asset Type	Market Value 2013/14	Percentage Change %	Value on Increase £000	Value on Decrease £000
<b>Cash and cash equivalents</b>	31,928	0.02	31,934	31,922
<b>Investment portfolio assets:-</b>				
Global Equity inc UK	121,722	7.97	131,423	112,021
UK Equity	0	12.25	0	0
Overseas Equity	159,621	12.30	179,254	139,988
Global Fixed Income	174,002	5.34	183,294	164,710
Alternatives	627,757	2.93	646,150	609,364
Property	97,780	3.71	101,408	94,152
	<u>1,212,810</u>		<u>1,273,463</u>	<u>1,152,157</u>

### Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund recognises that interest rates can vary and affect both the income to the fund and the net assets available to pay benefits. The Fund's Fixed Income manager has advised that rates may rise by 75 basis points (bps) over the next year. As the fund does not use Fixed Income securities to provide income, the following sensitivity analysis only refers to cash and cash balances.

Asset Type	Carrying Value 2014/15 £000	Change in year in net assets available to pay benefits	
		+75BPS £000	-75BPS £000
Cash and cash equivalents	3,856	29	(29)
Cash balances	43,735	328	(328)
	<u>47,591</u>	<u>357</u>	<u>(357)</u>

Asset Type	Carrying Value 2013/14 £000	Change in year in net assets available to pay benefits	
		+75BPS £000	-75BPS £000
Cash and cash equivalents	1,408	11	(11)
Cash balances	30,520	229	(229)
	<u>31,928</u>	<u>240</u>	<u>(240)</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any other currency other than the functional currency of the Fund (GBP). The Fund holds assets denominated in currencies other than GBP.

The following table summarises the Fund's currency exposure as at 31<sup>st</sup> March 2015 and as at the previous year end:

Currency Exposure - Asset Type	Market Value 2014/15	Market Value 2013/14
	£000	£000
Global Fixed Income	172,749	174,002
Overseas Equities Active	247,289	281,343
Multi Strategy	205,260	115,487
Commodities	24,962	32,084
Hedge Funds	48,750	48,393
Property	37,414	38,374
Infrastructure	18,727	15,600
Timber / Agriculture	26,894	22,382
Opportunistic	10,008	12,517
Private Equity	119,827	117,446
	911,880	857,628

Following analysis of the historical data in consultation with the fund's Performance Measurers, WM Company, and analysis of the exposures to foreign currency for the year to 31<sup>st</sup> March 2015, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.44%. For the period to 31<sup>st</sup> March 2014, this was calculated to be 5.06%.

This analysis assumes that all other variables, in particular interest rates, remain constant. These individual year percentages strengthening / weakening against the various currencies in which the fund hold investments would increase / decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Market Value 2014/15	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Fixed Income	172,749	5.44	182,152	163,346
Overseas Equity - Active	247,289	5.44	260,749	233,829
Multistrategy	205,260	5.44	216,432	194,088
Hedge Funds of Funds	48,750	5.44	51,403	46,097
Commodities	24,962	5.44	26,321	23,603
Timber & Agriculture	26,894	5.44	28,358	25,430
Infrastructure	18,727	5.44	19,746	17,708
Property	37,414	5.44	39,450	35,378
Opportunistic	10,008	5.44	10,553	9,463
Private Equity	119,827	5.44	126,349	113,305
	911,880		961,513	862,247

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Currency Exposure - Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2013/14	%	£000	£000
Global Fixed Income	174,002	5.06	182,801	165,203
Overseas Equity - Active	281,343	5.06	295,571	267,115
Multistrategy	115,487	5.06	121,327	109,647
Hedge Funds of Funds	48,393	5.06	50,840	45,946
Commodities	32,084	5.06	33,707	30,461
Timber & Agriculture	22,382	5.06	23,514	21,250
Infrastructure	15,600	5.06	16,389	14,811
Property	38,374	5.06	40,315	36,433
Opportunistic	12,517	5.06	13,150	11,884
Private Equity	117,446	5.06	123,385	111,507
	<u>857,628</u>		<u>900,999</u>	<u>814,257</u>

### 8. DEBTORS/CREDITORS

	2015		2014	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,171		1,160	
Contributions due - Employers	3,005		2,276	
Added years	41		26	
H.M. Revenue and Customs	25		41	
Pension strain	1,762		1,063	
Administering authority	0		2	
Miscellaneous	232		177	
	<u>        </u>	6,236	<u>        </u>	4,745
Less Current Liabilities :				
Contributions	(7)		0	
Lump sums	(1,204)		(2,782)	
Death grants	(134)		(531)	
Administering authority	(265)		(236)	
Added years	(41)		(81)	
H.M. Revenue and Customs	(9)		0	
Miscellaneous	(481)		(358)	
	<u>        </u>	(2,141)	<u>        </u>	(3,988)
Net Current Assets		<u>4,095</u>		<u>757</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

<b>Analysis of debtors</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Central Government Bodies	25	41
Other Local Authorities	4,931	4,174
Other Entities and Individuals	1,280	530
	<u>6,236</u>	<u>4,745</u>
<b>Analysis of creditors</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Central Government Bodies	(9)	0
Other Local Authorities	(271)	(298)
Other Entities and Individuals	(1,861)	(3,690)
	<u>(2,141)</u>	<u>(3,988)</u>

### 9. MATERIAL TRANSACTIONS

The Fund undertakes a review of fund management arrangements every three or four years. A full review was undertaken during 2014/15 and the following details the changes which were approved. Some of the changes were actioned by March 2015, the remainder are due to be completed during 2015/16.

#### 2014/15

<b>Manager</b>	<b>Mandate</b>	<b>Allocation</b>
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#### Redemptions

Aberdeen	Asia Pacific (ex Japan) Equities	7%
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#### Subscriptions

Investec	Global Equities	Increased from 5% to 8%
Pyrford	Diversified Growth Fund	Increased from 3% to 5%
Investec	Diversified Growth Fund	5%

#### 2015/16

<b>Manager</b>	<b>Mandate</b>	<b>Allocation</b>
----------------	----------------	-------------------

#### Redemptions

BlackRock	Global Tactical Asset Allocation	6%
Bluecrest	Global Tactical Asset Allocation	3%
Wellington	Commodities	4%
SSARIS	Hedge Fund of Funds	2.5%
Liongate	Hedge Fund of Funds	2.5%
Duet	Global High Alpha Equities	5%

#### Subscriptions

Aberdeen	Frontier Market Equities	Increased from 0.5% to 2.5%
MAN FRM	Hedge Fund Managed Account Platform	9%
JLT Group (Consultant)	"Best Ideas" Portfolio	9%

The "Best Ideas" Portfolio has been established, in partnership with the Fund's Investment Consultant (JLT) to enable the Fund to capitalise on tactical opportunities in the market. The allocation allows the Fund to speedily gain a more focused exposure to particular markets, based on a 6 to 12 month view.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 10. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31<sup>st</sup> March 2015. 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.

### 11. 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 (Prudential and Equitable Life) 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	£	922,872
Units purchased	No.	174,486
Units sold	No.	225,138
Market value as at 31st March 2015	£	4,744,881
Market value as at 31st March 2014	£	4,766,107

### 12. RELATED PARTY TRANSACTIONS

#### Governance

Under legislation, introduced in 2004, Councilors are entitled to join the Pension Scheme. As at 31<sup>st</sup> March 2015, two Members of the Clwyd Pension Fund Committee have taken this option. The four Co-opted Members of the Pension Fund Committee receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

#### Key Management Personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of The Accounts and Audit Regulations (England) Regulations 2011 and Regulation 7A of The Accounts and Audit Regulations (Wales) Regulations 2014) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Clwyd Pension Fund. The disclosures required by Regulation 7(2)-(4) of The Account and Audit Regulations (Wales) can be found in the main accounts of Flintshire County Council.

#### Flintshire County Council

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 £1.270m (£1.023m in 2013/14). 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 oversight and governance, and administration expenses (see note 2). At the year end, a net balance of £0.265m was owing to Flintshire in relation to creditors payments made on behalf of the fund and support service costs which were not available as at 31<sup>st</sup> March 2015 (£0.234m in 2013/14).

### 13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31<sup>st</sup> March 2015, the Fund has contractual commitments of £574.0m (£542.0m in 2013/14) in private equity and property funds, of which £439.6m (£371.8m in 2013/14) has been invested, leaving an outstanding commitment of £134.5m (£170.2m in 2013/14).



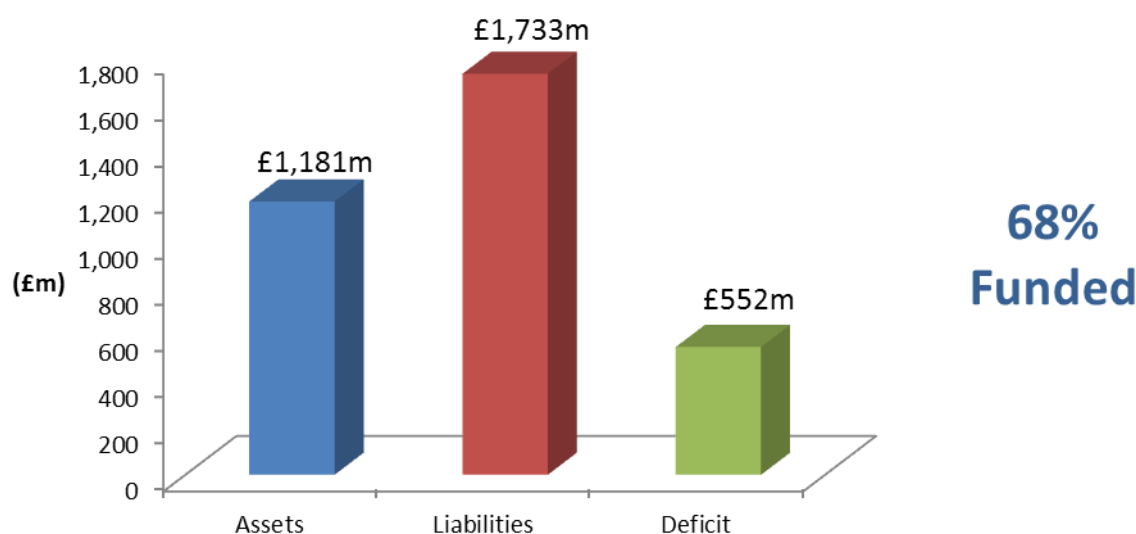
## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,181 million represented 68% of the Fund's past service liabilities of £1,733 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £552 million.



The valuation also showed that a common rate of contribution of 13.8% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 73% with a resulting deficit of £449 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £27.4m per annum increasing at 4.1% per annum (equivalent to approximately 11.8% of projected Pensionable Pay at the valuation date) for 18 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, 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). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

The valuation was carried out using the projected unit actuarial method and the main actuarial 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 return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### 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.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £1,802 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£297 million. Adding interest over the year increases the liabilities by a further c£81 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£1 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £2,181 million.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL**

**TO BE INSERTED INTO FINAL VERSION - FOLLOWING COMPLETION OF AUDIT BY WALES AUDIT OFFICE**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL**

**TO BE INSERTED INTO FINAL VERSION - FOLLOWING COMPLETION OF AUDIT BY WALES AUDIT OFFICE**

## ANNUAL GOVERNANCE STATEMENT

This statement has the following five sections:-

1. Scope of Responsibility.
2. The Purpose of the Governance Framework.
3. The Governance Framework.
4. Review of Effectiveness.
5. Significant Governance Issues.

### 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 appropriately 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, ensuring that we are economic, efficient and effective as an organisation.

In discharging this overall responsibility, Flintshire County Council should maintain proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and 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 is included in the Council's Constitution and a copy is also available from the Democracy & Governance Manager in 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) Regulations 2014.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework brings together the systems and processes, employees, other resources, culture and values by which the Council is managed and controlled and the activities through which it accounts to, engages with and leads the community. The framework enables the Council to monitor achievement against its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 provide proportionate 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 occurring and to evaluate the impact if they do; to manage risks efficiently, effectively and economically.

The governance framework has been in place at Flintshire County Council for the year ended 31<sup>st</sup> March 2015 and up to the date of approval of the annual statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

#### a) Council Constitution

The Council's Constitution defines the roles of the Cabinet, Council, Audit Committee, Standards Committee, Overview & Scrutiny Committees and all other Committees.

It also details the portfolios of each of the Cabinet members, the responsibility for functions including the delegation arrangements and various codes and protocols including the Members' Code of Conduct, the Officers' Code of Conduct, the Member/Officer Protocol and the Code of Corporate Governance.

## ANNUAL GOVERNANCE STATEMENT

### b) Code of Corporate Governance

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 revised CIPFA / SOLACE Framework:-

- 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 Cabinet, in consultation with the Constitution Committee, is responsible for approving the Code of Corporate Governance. The Chief Executive and Monitoring Officer are responsible for ensuring that it is kept up to date by way of annual reviews commencing in October each year.

Updating the Code of Corporate Governance and gaining assurance to inform this annual governance statement is undertaken and co-ordinated over the year as part of a cyclical approach.

### c) Council (Plan) Governance Framework

The final drafting and publication of the Council (Plan) Governance Framework was endorsed by the Council's then Executive in May 2011 and endorsed by County Council in June 2011. The framework is a family of co-related documents describing how the organisation's priorities and values are reflected within the Portfolios and how the Council interacts with partners and its customers and communities.

The framework is revised and updated annually.

### d) Members

Flintshire County Council has 70 Councillors that represent 57 electoral divisions and are democratically elected normally every 4 years. The Council operates a Leader and Cabinet Executive which during the year to 31st March 2015 was made up of 8 members. Role descriptions have been approved for the Leader, Cabinet Members, Committee Chairs and ordinary Members. For the 2014/15 year there were 6 Overview & Scrutiny Committees supported by a team of officers. These Committees were as follows:-

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

## ANNUAL GOVERNANCE STATEMENT

In addition the Council has the following Standing Committees:-

- Audit Committee
- Constitution Committee
- Standards Committee
- Planning and Development Control Committee
- Licensing Committee
- Democratic Services
- Clwyd Pension Fund Committee

The terms of reference of the various Committees are set out in the Council's Constitution. The number, size and terms of reference of the Standing Committees are reviewed annually at the Council's annual meeting in May.

On taking office all Members are required to sign a Declaration of Acceptance of Office whereby they undertake to be guided by the National Code of Local Government Conduct in the performance of their functions as a Councillor. Flintshire's Members' Code complies with the National Code and all Members are given a copy of it when taking up office. Any complaints that a Member has not complied with the Code are considered by the Public Services Ombudsman for Wales who may refer any apparent breaches to either the Council's Standards Committee or to the Adjudication Panel for Wales which may apply sanctions if a breach of the Code is found.

### e) **Officers**

Article 16 of the Constitution explains the role of the Chief Executive who is the Council's statutory Head of Paid Service. This includes providing leadership to the management and employees of the Council; ensuring that the Council has the governance, structure, workforce, resources and business systems needed to provide high quality, cost effective and responsive services to the people of Flintshire; working closely and supportively with elected Members to ensure the realisation of the Council's culture, vision, policies and programmes; working with partners at the local, regional and national level both to fulfil Flintshire's potential and to represent its interests, and to contribute to the governance of Wales as a devolved nation.

The Chief Officer, Governance is the Council's Monitoring Officer under Section 5 of the Local Government & Housing Act 1989. In addition to the statutory responsibilities of ensuring the Council complies with the law and avoids maladministration the Council's Constitution also gives the Monitoring Officer responsibility for monitoring the operation of the Constitution and contributing to the promotion of high standards of conduct through the provision of support to the Standards Committee.

The Corporate Finance Manager is the Responsible Finance Officer and takes responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972 and in accordance with the CIPFA Statement on the role of the Chief Financial Officer.

### f) **Finance**

There are robust arrangements for effective financial management and control through the Council's accounting procedures, key financial systems, Financial Procedure Rules and Contract Procedure Rules as set out in the Constitution. Both the Financial Procedure Rules and Contract Procedure Rules are regularly reviewed and are available on the Council's Infonet.

The Council's Medium Term Financial Strategy provides a framework for the financial principles through which revenue and capital resources are forecast, organised and managed to deliver the Council's vision and strategic objectives. The Medium Term Financial Strategy also forecasts funding levels and resources required over the medium term to support strategic decision making; to ensure balanced budgets in future years, and so that the Council can invest in its improvement priorities. The Council has four types of resources - people, money, assets and information.

## ANNUAL GOVERNANCE STATEMENT

The Council's process for setting its annual revenue budget and capital programme is set out in the Budget and Policy Framework Procedure Rules in Part 4 of the Constitution. When the Authority sets its budget, elected members take account of the level of risk and uncertainty regarding its budgetary estimates in the context of the prevailing economy, public services' climate and the demand for services.

The Council operates a scheme of delegated budgets supported by the Corporate Finance team which consists of central and service based finance teams supporting budget managers. Revenue budget monitoring reports, including full year forecasts, are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a monthly basis. Capital Programme monitoring reports are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a quarterly basis. In both instances, these reports identify reasons for variances and set out any corrective action that is proposed.

The Council has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management in the Public Services: Code of Practice. Treasury Management is conducted in accordance with the Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code. Treasury Management update reports are made to the Audit Committee, Cabinet and Council on a quarterly basis.

### **g) Corporate Strategies**

The Council has four principal corporate resource strategies (see \*) and other plans which provide the resource and accountability framework and support for the delivery of the Portfolio and Service Plans. They include:-

- Medium Term Financial Strategy and Plan \*
- People Strategy \*
- Asset Management Plan \*
- ICT Strategy \*
- Procurement Strategy
- Health and Safety Policy

### **h) Organisational Change Strategy**

The Council set out in its Medium Term Financial Plan a developing approach to organisational change and redesign. This change in approach was a direct response to the emerging national decisions on reductions in direct funding support for local government. The change was based on a recognition that a broader based and more ambitious change programme was required; that the Council would need to return to the fundamentals of organisational structure and the total costs of employment; that the Council would need to reduce further its civic estate operational costs.

The Organisational Change and Redesign Programme will continue over a period of years and ambitiously 'front ends' reductions on organisational costs in the first year of 2014/15 with the intent of protecting services as far as possible.

The strategy covers:

- 1. New operating model: operating model, functional and structural design**  
This required a new operating model, the re-positioning and grouping of service functions, and a new senior management structure to deliver business change and alternative delivery models
- 2. New operating model: ways of working**  
The operating model requires new ways of working including increasing the pace of agile working and adopting a more collective approach to strategic decisions



## ANNUAL GOVERNANCE STATEMENT

3. **Workforce Scaling: workforce planning, workforce reduction, vacancy management, costs of employment**

A major planned programme to dovetail with both 1 and 2 above and service prioritisation from 4 below

4. **Functional Efficiency: value for money in all service and support functions**

The developing value for money model has been overtaken by longer-term (3 year) business plans for change; some of which include alternative delivery models as in (j) below.

i) **In-year Business Planning**

The Council has an established and effective approach to **business planning**. The key component of this is the Council's Improvement Plan which is published annually and describes the Council's priorities (Improvement Objectives) which are supported by both corporate and service level (sub) priorities. These priorities are connected to the County's Vision and priorities as determined by the Local Service Board through the Flintshire Wellbeing Plan, Flintshire's Single Integrated Plan (SIP).

The 'building blocks' of the Council's business planning approach are:-

- Flintshire Wellbeing Plan, Flintshire's Single Integrated Plan as set by the Local Service Board.
- Improvement Plan - Council priorities as set by the County Council and supported by service and corporate sub priorities.
- Council Improvement Targets – a set of performance indicators designated as those which require focused attention for improvement.
- Risk management – risks are owned and led in various ways dependent upon the type of risk:
  - the Council's strategic risks are owned in the Improvement Plan by sub priority lead officers and reported quarterly to Cabinet and respective Overview and Scrutiny Committees;
  - operational risks by Chief Officers / service managers are reported twice yearly to Cabinet and respective Overview and Scrutiny Committees;
  - project risks by the relevant Project Manager / Project Board and where appropriate are included within Chief Officer reports twice yearly;
  - partnership risks by the relevant Partnership Board and where appropriate are included within Chief Officer reports twice yearly or via an annual report;
  - collaborative risks by the 'lead' organisation of the collaborative partnership and where these have been agreed to be from a principal collaboration, reported to Cabinet and relevant Scrutiny Committees in accordance with the Council's agreed protocol.
- Outcome Agreement (with Welsh Government) – a set of actions and measures, positive performance against the actions and measures results in grant funding of approximately £1.4m which supports the Council's budget.
- Portfolio and Service Plans, plus the corporate resource plans (for Human Resources, ICT and Customer Services, Finance and Legal and Democratic).
- Findings of and Council responses to external regulation.
- Quarterly Improvement Plan Monitoring - a report monitoring progress towards delivery of the Improvement Plan and mitigation of strategic risks.
- Half-yearly performance reporting at Chief Officer level to Cabinet and Overview and Scrutiny – a monitoring report on progress, including priorities which are 'business as usual', service plan, operational risks, audit reports, improvement targets (not in the Improvement Plan) and issues such as sickness absence which are relevant across the whole organisation.

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An integral part of business planning is understanding and taking action against risks related to the business. The Council's **risk management** processes include:-

- Operational risk – identified and monitored at service level
- Project risk – identified and monitored through the project management system
- Strategic partnership risk - identified and monitored through the partnership governance framework
- Collaborative partnership risk – identified and monitored in accordance with the Council's agreed protocol.

A corporate risk management model as described in the Risk Management Strategy supports these arrangements.

The Council's strategic risks are included within the Council's Improvement Plan. This document is embedded within our business planning processes.

- Regular updating and reporting on progress is captured within the quarterly Improvement Plan monitoring. This includes:
- A red, amber, green (RAG) matrix to evaluate the current risk score:-
  - Gross Score – the score if there were no measures in place to control the risk
  - Net Score – as it is at the end of the time of review (usually end of quarter)
  - Target Score – what the score will be when all actions are completed / satisfactory arrangements are in place.
- Identification of the direction the risk is moving in (risk trend) – increasing, decreasing or staying the same.
- Updating of actions to mitigate the risks.

Part of the Council's approach to risk management includes its **business continuity arrangements**. The Council has a resilient approach to business continuity practices in place. Business continuity management prepares the organisation to plan effective responses to business interruptions, such as severe weather or a power outage, for its critical services to function and then return to normal as soon as possible.

The approach includes:

- Mission Critical Services which must be maintained or recovered as a priority should a business interruption occur; these services have Business Continuity Plans in place.
- a Corporate Business Continuity Plan which is the overall framework within which the plans for Mission Critical Services operate. It sets out the actions to be taken should a number of business continuity impacts be faced at the same time across e.g. accommodation or ICT infrastructure.
- regular testing and updating of all Business Continuity Plans to ensure they are kept up to date and current

Overall strategic responsibility for ensuring that services are maintained is the responsibility of the designated senior officers.

### j) **Alternative Delivery Models (ADMs)**

The development of ADMs is a key plank of an ambitious strategy to create significant efficiencies within work programmes in 2016 and beyond. ADMs enable other sources of income to be found or cost savings to be made that are not possible in a Council structure.

One example of this is the North East Wales (NEW) Homes and Property Management which was established in 2014. It is a new company, owned by Flintshire County Council which will own, lease and manage properties across Flintshire with the aim of increasing the quantity and quality of affordable housing across the county whilst providing a professional service to landlords and tenants.

## ANNUAL GOVERNANCE STATEMENT

### k) Partnerships

#### Strategic partnerships

The Council is involved in various ways in partnerships (as lead, joint partner, service recipient, service provider) at national, regional and local levels. Nationally, the Council is part of the local government 'family' in Wales making contributions in social policy development, influencing national decisions and in guiding professional and other bodies. The Council is an active member of many regional partnerships and representative bodies and a collaborative partner in numerous regional projects and partnerships.

On a County level, the Local Service Board (LSB) brings together the public service providers in Flintshire including: Flintshire County Council, North Wales Police, Betsi Cadwaladr University Health Board, Coleg Cambria, Glyndwr University, Flintshire Local Voluntary Council, National Public Health Service, North Wales Fire and Rescue Service and Natural Resources Wales.

The Flintshire LSB was established in 2008. Its remit is to focus on five main areas:

- Building and maintaining effective and trusting partnership relationships as a set of local leaders.
- Discharging the responsibilities of an LSB - this includes producing a meaningful and fit for purpose Community Strategy.
- Consistent and effective governance and performance of strategic partnerships.
- Identifying and working on common issues as public bodies/employers.
- Promoting collaboration in the design and provision of local public services to make best economic use of local partner's resources, such as people, money, assets and technology.

The following strategic partnerships make up Flintshire in Partnership:-

- Community Safety through the Local Service Board and the regional Safer Communities Board.
- Flintshire Housing and Regeneration Partnerships
- Health, Wellbeing and Independence Board
- Regional Safeguarding Children Board
- Voluntary Sector Compact
- Youth Justice Plan and Board

The strategic partnerships have a partnership governance framework which includes an annual self-assessment. This self-assessment enables the partnerships to assess areas for improvement when working as a partnership. The assessments are reported into the Local Service Board.

Overall strategic partnership performance is reported to the Council's Cabinet and the Community Profile and Partnerships Overview and Scrutiny Committee twice yearly.

#### Collaborative partnerships

In February 2012 the Council's Cabinet and County Council endorsed the adoption of the Compact between the Welsh Government and Welsh Local Government and subsequently became a signatory.

The Council has also reaffirmed its commitment to collaboration with other local authorities and public bodies where the interests of Flintshire to protect/improve public services and to achieve efficiencies can be met.

## ANNUAL GOVERNANCE STATEMENT

As recognised in the 'Compact' above two major regional delivery partnerships were implemented during 2012/13:

- Regional School Effectiveness and Improvement Service (RSEIS)
- Social Services Regional Commissioning Hub

Significant collaborative working pre-exists the Compact in service areas including transport, residual and food waste procurement, procurement services and ICT.

The governance arrangements for the national and regional collaborations have been determined locally with a protocol updated by Cabinet in May 2013 for project governance and reporting.

### **l) Regulation and Assurance**

Regulation and accountability provides assurance for the effectiveness of the Council's arrangements for the services it is responsible for and the achievement of its objectives. It is undertaken both internally within the organisation through its governance arrangements, practices and procedures

External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies principally the Wales Audit Office (WAO), Estyn and the Care and Social Services Inspectorate (CSSIW).

Their role is independent of government and they examine and challenge the performance and effectiveness of Welsh public bodies work and produce either periodic or annual local and national reports on their findings.

The Council has a well established practice of dealing with findings from the external regulatory bodies through referral to committees, formal responses and tracking, and open publication of regulatory reports in our committee papers (with availability on the website). An annual summary report is presented to the Audit Committee showing all regulatory reports, their findings, the council's response and where they were reported to.

### **m) Audit Committee**

Internally, the Council's Audit Committee's role and functions are to:-

- Review the effectiveness of the Council's systems of Corporate Governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
- Oversee the reporting of the statutory financial statements process to ensure the balance, transparency and integrity of published financial information and to review the financial statements prepared by the authority and recommend them to County Council;
- Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context;
- Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees

The above reflects the expanded role of the committee as a result of the Local Government (Wales) Measure 2011. A lay person is a member of the committee pursuant to that measure.

### **n) Internal Audit**

The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. The Standards state that Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. An annual audit plan is prepared on the basis of the Internal Audit Strategy.

In accordance with the requirements of the PSIAS the Internal Audit Manager reports to the Audit Committee a summary of audit findings each quarter. He prepares an annual report that summarises the internal audit work completed during the year and gives an opinion on the overall adequacy and effectiveness of the Councils governance, risk and control framework.

### **o) Counter Fraud and Anti Corruption Arrangement**

The Council has in place an Anti-Fraud and Corruption Strategy, which includes consideration of the Bribery Act. There is also a Fraud Response Plan so that managers know how to respond to any suspicion of fraud. Codes of Conduct for Members and Officers specify the requirements around declarations of interest, potential conflicts of interest, gifts, hospitality, etc.

Internal controls are designed to minimise the incidence of fraud taking place and maximise the likelihood of it being detected if it occurs. Contract Procedure Rules and Financial Procedure Rules set out how transactions should be completed.

ICT security is managed by the Information Management Team. Flintshire complies with the Public Services Network code of connection, which is subject to an annual external assessment.

### **p) Whistle-blowing**

The Council is committed to the highest possible standards of openness, probity and accountability. To support that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that sensitive cases have to proceed on a confidential basis. This policy makes it clear that employees can do so without fear of reprisal. The policy is included in the Council's Constitution and is available on the Council's Infonet.

### **q) Complaints**

The Public Services Ombudsman for Wales publishes an annual report, followed by an annual letter to the Council in July each year. The annual letter provides a clear and precise breakdown of all complaints received and investigated by the Ombudsman's office during the previous year in relation to the Council. These cover both complaints about services provided by the Council and complaints about councillors under the Code of Conduct. The letter provides Flintshire County Council with a summary of its performance against other local authorities in Wales as well as an overview of other public sector organisations such as local health boards and housing associations. The Council uses the information provided in the annual letter to benchmark against other local authorities; it is also used as a comparative against previous year performance. In addition to the Council's local performance measures, the Ombudsman's annual letter is used to analyse themes and trends in order to ensure issues and risks are managed accordingly with the support of Chief Officers.

The Council has adopted a formal complaints procedure which also seeks comments and compliments and this is periodically updated. The procedure can be found on the Council's website.

### **r) Information Governance**

The Council's existing arrangements on information governance include the designation of an Senior Information Risk Owner a group of officers who meet on a monthly basis to give corporate advice on compliance with the Data Protection Act, corporate procedures in place for dealing with Data Protection, Freedom of Information, Environmental Information Regulations and Records Management. These procedures and guidance are available on the Council's Infonet.

## ANNUAL GOVERNANCE STATEMENT

### s) **Clwyd Pension Fund**

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. Since 1 April 2006, the Local Government Pension Scheme Regulations have required a pension fund administering authority to prepare, publish and maintain a governance policy and compliance statement. This statement is published in the Annual Report which is available on the Clwyd Pension Fund website: [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk).

## 4. **REVIEW OF EFFECTIVENESS**

Flintshire 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 the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, self-assessment questionnaires on corporate governance completed by all Chief Officers and also by comments made by the external auditors and other review agencies and inspectorates.

### a) **Council Constitution**

The 3 year programme of reviewing the entire Constitution agreed by the Constitution Committee in 2012 was concluded, in 2014/15 covering Members' and Officers' Codes of Conduct, the Protocol on Member/Officer relations and the Code of Practice for Planning Procedures. This has resulted in a more readable document that uses consistent terminology and style, whilst meeting all legislative requirements.

In addition throughout the year updating changes were made following consultation with the Chair of the Constitution Committee and political Group Leaders.

At its meeting on the 28 January 2015 the Constitution Committee established a Task & Finish Group to consider adopting the new format of the Constitution prepared on behalf of Monitoring Officers in Wales with a view to adopting that format at the Council's annual meeting in May.

### b) **Code of Corporate Governance**

Each year there is a review and update of the Code of Corporate Governance. This is coordinated by the Corporate Governance Officer Working Group. Following work by the Officer Working Group an updated of the Code Corporate Governance was reported to the Audit Committee meeting on the 10 December 2014. The updated version was agreed and the Constitution subsequently amended to reflect the changes made.

The other main task of the Officer Working Group is to prepare the draft Annual Governance Statement. Each year the process is improved. This year for the first time the Corporate Governance questionnaires completed by Chief Officers were discussed at a meeting of the Chief Officer Team.

Prior to consideration at Audit Committee there was an informal briefing meeting for members of the committee. There was also a report to the Audit Committee to start the preparation of the AGS in December 2014 and questionnaires sent to the Chairs of Overview & Scrutiny Committees continue to involve them in the process.

### c) **Council (Plan) Governance Framework**

During the year it has been used as part of the management development programme for Managers at Institute of Leadership and Management (ILM) Levels 4 and 5 and received a favourable response as a comprehensive and user friendly resource.

The annual review of the framework was undertaken during summer 2014. A major review of the principal strategic plans (Medium Term Financial Strategy, Improvement plan, Corporate Resources, Governance Plan) was introduced during 2015 for publication of a newly formatted set of plans during the summer of 2015.

## ANNUAL GOVERNANCE STATEMENT

### d) Members

The structure of Overview and Scrutiny committees was reviewed during the year after the implementation of the new senior management structure with the aims of simplifying reporting lines, balancing workloads and strengthening their role in corporate governance. The new structure was presented to the Annual Meeting of the Council in May 2015 and will be implemented in 2015/16.

The Member development programme for 2014/15 included the following topics:-

- Various planning topics
- Equalities and Welsh Language
- Budget Preparation
- Social Media

Member feedback on training events is reported to the Democratic Services Committee and continued to show a high level of satisfaction. Member attendance and engagement with training initiatives has been encouraged through political Group Leaders.

### e) Officers

The new corporate operating model and senior management structure agreed on the 25 March 2014 was implemented in May 2014. The model and structure were designed to meet our changing circumstances, save money and better use our senior talent to modernise the organisation. There is a single tier of senior officers supporting the Chief Executive, each with a responsibility for service delivery, a corporate function or transformation but all with a collective responsibility for organisational management, strategy and performance, organisational development, and relationships and reputation.

As part of the transition to the new structure a team development programme was completed by the new senior team. The programme covered skills mix understanding, team unity, planning, and transition and risk management. This was followed by individualised plans for each member of the team.

The approach to appraisals has been strengthened, based on competencies and linked to a talent management programme. It is designed to aid development and ensure critical roles will continue to be filled in the future. This has been used for Chief Officers and their direct reports and will be rolled out across the Authority during 2015/16.

Through working in partnership with Coleg Cambria a comprehensive officer development programme is available enabling employees to develop their skills and competencies further and to achieve national ILM qualifications.

During the year work was undertaken to review the officers' code of conduct. This led to an updated clearer officer code being agreed by Council.

### f) Finance

The Council's revenue budget and capital programme for 2014/15 were agreed by the Council. The budget is aimed at protecting 'front line' public services and re-investment to meet council priorities despite a reduced level of funding.

In order to achieve a balanced budget the Council:

- Reviewed previous year decisions for pressures and efficiencies and revised them to reflect current need.
- Took a targeted approach to inflation
- Reviewed and challenged the in-year position
- Reviewed Reserves and Balances
- Progressed the Flintshire Futures work stream

## ANNUAL GOVERNANCE STATEMENT

The budget strategy for 2014/15 has been developed in the context of the following expectations:

- The protection of local services as a first priority
- The more challenging reduction of operating costs and overheads
- The reorganisation of the Council with a marked reduction in management costs
- The reduction of overall workforce costs
- The remodelling of some functions
- Building a longer-term financial plan based on optimum efficiency

The revenue outturn for 2014/15 was an underspend of £1,804k (subject to audit). On capital over 93% of planned spend in year was reported as being incurred as at the year end.

The financial future facing the Council continues to be very uncertain and challenging. A reduction in the amount of external funding received from Welsh Government (Revenue Support Grant and Non Domestic Rates) and increases in pay and price inflation has meant the Council was required to make £18m efficiency savings to achieve a balanced budget for 2015/16. The next stage of the development of the Medium Term Financial Strategy will be published in summer 2015 alongside the new Improvement Plan. This provides greater opportunity to deepen the links between service and financial planning and provide a more robust framework for future reporting of the effectiveness.

A revised version of the Council's Financial Procedure Rules will be issued in the summer of 2015.

### **g) Corporate Strategies**

The key Corporate Strategies (Assets, People, ICT, Customer and Procurement) started to be reviewed during 2015 with the intent of publishing a Corporate Resources Plan in summer 2015. The main purposes being to scope the large scale change led demands for corporate services and evaluate the expenditure and funding required.

### **h) Organisational Change Strategy**

The efficiency dividends from the early stages of the Flintshire Futures Programme from internal service change and reduced operating costs have supported a balanced budget for 2015/16 and have assisted in achieving an in-year under-spend for 2014/15.

However, given the size of the financial challenge to be scaled and the extent of public service reform, the former Flintshire Futures Programme has been expanded into a single and coherent strategy as outlined in section 3 (g). This strategy has succeeded in introducing a new operating model, bringing together a single layer of Chief Officers into one unit across 10 portfolios to collectively manage business change and inform strategic decision making.

In addition the introduction of three year business plans for change across each portfolio has started to impact on the size of the organisation and contribute to the efficiencies required over a three year period. These are supported by 8 programme boards who monitor and track efficiencies, identify capacity and manage the overall change programme.

### **i) In-year Business Planning**

The Council approved its first Improvement Plan in June 2011. This Plan built on the Administration Priorities established in 2010 and identified a set of ten (primary) Improvement Priorities supported by more detailed secondary Directorate priorities. The Council adopted its Improvement Plan for 2014/15 on 24 June 2014. The Improvement Priorities of the previous Council were thoroughly reviewed and challenged to streamline and reset them and to be clearer over the impacts and how performance would be measured, leading to a set of eight Improvement Priorities with 22 sub-priorities.



## ANNUAL GOVERNANCE STATEMENT

The Improvement Plan focused on the priorities which were going to have the most impact during 2014/15. This helped the organisation to concentrate on the things where sustained corporate attention was needed during, with the remaining priorities being managed as more routine performance management.

The Improvement Plan has been monitored in the following ways:

- Quarterly Improvement Plan monitoring, including an overview of progress against the achievement measures/milestones and risks is reported to Cabinet. In addition the Improvement Priorities have been monitored by appropriate Overview and Scrutiny Committees.
- Twice annually (at quarters 2 and 4) performance highlight reports were presented from the Chief Officers. These focused on performance exceptions, both good and poor whilst ensuring that the 'business as usual' is still being monitored and reported against
- Annual achievement against each of the eight Improvement Priorities is summarised in the Council's Annual Performance Report (APR) which is presented to both Cabinet and County Council.

In addition the strategic risks are reported to Audit Committee at least twice yearly for review and to ensure that emerging risks are captured and that assurance of risks being mitigated is achieved.

The Council's approach to risk management was reviewed by Internal Audit during the year who identified that corporate arrangements were strong but that the approach needed to be used consistently across the Council. Taking on board these findings and those of the Wales Audit Office Corporate Assessment a new approach to risk management has been devised for implementation for 2015/16 onwards. This includes:

- Enhanced descriptions of risk including an explanation of the impact if the 'risk were to be realised.
- More sophisticated risk matrix (6 x 4) allowing further options to show how the risk is being reduced or increasing.
- Improved format to capture both new and emerging risks and also to allow for a risk to be 'closed' once it has been mitigated or realised as an issue being dealt with.
- Incorporating risk more prominently within Council reports.

The new approach also includes guidance for escalation of risks and frequency of reporting depending on the assessed severity of the risk; for the higher level risks e.g. 'black' reporting will be monthly and 'red' quarterly.

In addition, the Council has just begun to implement a new electronic performance management system (CAMMS) which integrates and provides accountability across actions, objectives, measures and risks (across strategic objectives (such as the Improvement Plan), operational (team and individual) objectives, programmes and projects and collaboration or partnership objectives (such as the Single Integrated Plan). The system is being introduced in a phased basis; the first phase concentrating on the Improvement Plan. Reporting for the first quarter (April to June) will be undertaken via CAMMS.

Part of the Council's approach to risk management includes its **business continuity arrangements**. From July regional arrangements were established across North Wales to support and enhance local approaches. An audit has been undertaken across North Wales to assess the currency and areas for improvement of business continuity arrangements. A local Business Continuity Planning group has been established to lead and direct local arrangements and ensure recommended improvements are followed through.

No circumstances arose during the year where it was necessary for the Mission Critical Business Continuity Plans to be invoked.

### j) **Alternative Delivery Models**

Flintshire has adopted principles for alternative delivery models which aim to ensure a common understanding of what we are trying to achieve by sustaining important services for communities and individuals that would otherwise be lost.

## ANNUAL GOVERNANCE STATEMENT

A methodology has been developed and adopted to ensure that all proposals are sound in terms of business sustainability, capacity and financial assessments. The methodology also ensures member accountability through Scrutiny and Cabinet involvement.

### k) Partnerships

#### Strategic partnerships

The Local Service Board produced and endorsed its Single Integrated Plan during 2013 which brings together the four priorities and commitments of the LSB along with their detailed governance and reporting arrangements. These priorities are:

- Priority 1: Lead by example as employers and community leaders
- Priority 2: People are safe
- Priority 3: People enjoy good health, wellbeing and independence
- Priority 4: Organisational environmental practices

These priorities have been managed and monitored by appropriate board and reporting structures during 2014/15.

A review of the North Wales Partnerships in 2011 resulted in a series of changes which have continued during 2014/15:-

- Community Safety Partnership: Flintshire's Community Safety Partnership continues to operate through the Flintshire Local Service Board with strategic functions being discharged at a regional level through the Safer Communities Board
- Health, Social Care and Wellbeing Board: this was replaced by the Health, Wellbeing and Independence Board in late 2013.

#### Collaborative partnerships

The Welsh Government's White Paper "Devolution, Democracy and Delivery - Reforming Local Government: Power to the People" has been under consideration during 2014/15 and the outcome will inform collaborative partnerships and services in the future. The County Council has agreed the response to the following themes within the White Paper: role and purpose of local government; community action and ownership; governance, review and performance and local government financing.

### l) Regulation and Assurance

All formal reports are presented to the Cabinet and Audit Committee and considered by the various Overview & Scrutiny Committees as appropriate. Some reports such as the annual improvement report are presented to the full Council. In January 2015 the annual summary report on external regulation was presented to the Audit Committee detailing all the regulatory reports, their findings, the council's response and where they were reported to.

During the year the Wales Audit Office completed a Corporate Assessment of Flintshire as part of its four year cycle of corporate assessments of improvement authorities in Wales. The assessment covered the following

- Performance and Outcomes
- Vision and Strategic Direction
- Governance and Accountability
- Use of Resources
- Collaboration and Partnerships
- Managing Improvement

## ANNUAL GOVERNANCE STATEMENT

The Auditor General has concluded that:

*'The Council's track record suggests that it is likely to respond positively to the internal and external challenges it faces and make arrangements to secure continuous improvement for 2015-16.'*

The judgment reflects the conclusions of the corporate assessment, that:

*'The Council has made significant progress in a number of difficult areas during the last year; although it needs to strengthen aspects of its arrangements the Council is reasonably well placed to continue to deliver its priorities in the face of further financial challenges.'*

*'Despite some strengths and areas of progress, aspects of the Council's arrangements are not fully supporting decision-making and the delivery of the Council's agreed priorities.'*

*'The Council has taken significant strides forward in its use of resources and now needs to coordinate the elements more systematically in the face of future financial challenges.'*

*The Council has made good progress against the improvement priorities we looked at but its performance against the national indicators declined slightly.'*

The Auditor General did not make any statutory recommendations with which the Council must comply. Instead seven advisory proposals for improvement were made. The council responded in full to these proposals and has a detailed underlying action plan to address all the issues, many of which are well advanced.

### **m) Audit Committee**

The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Elected members are provided with reports from the Wales Audit Office and summary reports on major systems and processes from Internal Audit. They supervise Internal Audit's completion of the audit plan and the Audit Manager submits his annual report to the committee. The committee also receives regular updates on risk management and Treasury Management.

Members completed a self assessment against CIPFA Guidance for Audit Committees at the year end. The results were an improvement on the previous year and showed that in the main the Committee complies with the guidance. Some areas were highlighted where existing arrangements can be strengthened. Training for the Audit Committee will be maintained in 2015/16.

### **n) Internal Audit**

Public Sector Internal Audit Standards (PSIAS) came into force in April 2013. They require the Audit Manager to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of internal audit's conformance with the Standards. The QAIP must include ongoing monitoring of the performance of the internal audit activity and an annual assessment.

Ongoing monitoring is in place. The quality of audit work is ensured by the use of an audit manual, ongoing supervision and management of staff and the review of all audit work. Performance targets are set and actual performance reported to quarterly Audit Committee meetings.

Internal Audit undertook a self-assessment against the PSIAS requirements towards the end of the year and found that the department 'generally conforms' with the standards, which means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the Standards and of the Code of Ethics in all material respects.

In his annual report, based on the results of internal audits undertaken during the year, the Internal Audit Manager has concluded that Flintshire's arrangements for governance, risk management and internal control are adequate and effective.

## ANNUAL GOVERNANCE STATEMENT

### o) Counter Fraud and Anti Corruption Arrangements

The Authority is taking part in the National Fraud Initiative (data matching exercise) using information provided by the Audit Commission for investigation. This involves looking at around 3,500 data matches across the Authority, including benefits, payroll, pensions and licences.

The roll out of computerised purchasing (p2p) was completed (apart from schools) during the year. The system enforces the right level of authorisation for each purchase and the use of suppliers that are set up on the system.

Financial Procedure Rules were updated during the year and approved by the Audit Committee. Internal controls were improved after fraud investigations and as a result of internal audits.

During the year an ICT health check was carried out by an independent company, confirming the security of internal IT systems. Quarterly vulnerability scans were completed to confirm the security of external facing systems. Service Self-assessment forms showed that there could be greater awareness of the Anti-Fraud and Corruption Strategy and the Fraud Response Plan. These will be reviewed and re-launched during 2014/15.

The Anti-Fraud and Corruption Strategy and the Fraud Response Plan were reviewed and updated during the year. They were approved by the Audit Committee in January 2015 and will be re-launched after approval by the Constitution Committee in April 2015.

### p) Whistle-blowing

A small number of employees have used the policy during 2014/15 to raise concerns, which shows that the policy is known. They were treated sensitively and correctly, with the allegations being investigated whilst protecting the confidentiality of the whistleblowers. The policy was reviewed during the year to take into account changes introduced by the Enterprise and Regulatory Reform Act and the latest guidance received. It was approved by the Audit Committee and the Constitution Committee and re-launched in autumn 2014. The re-launch was publicised on the Infonet, circulated to all Members and a note included on all payslips. During the year the Wales Audit Office reviewed the policy and concluded: 'The Council has a satisfactory whistleblowing policy which it applies appropriately. The Council's whistleblowing policy demonstrates a clear commitment to handling whistleblowing concerns appropriately but with opportunities to make the policy more user-friendly in a few areas. The Council maintains its records securely and follows its policies and procedures appropriately when investigating whistleblowing concerns.'

### q) Complaints

The Public Service Ombudsman for Wales annual letter for 2013/14 received in July 2014 showed a slight reduction in complaints received and investigated, and both were below the Welsh average. The letter was considered by the Standards Committee who requested further reports from Chief Officers. The committee were satisfied that the issues raised in the letter had been addressed.

During 2014/15 the Council received 639 complaints; 76.15% of complaints were dealt with within 10 working days from receipt. The Complaints Awareness training continues to be delivered in partnership with Coleg Cambria to help raise awareness of the Compliments, Concerns and Complaints policy. The Customer Services Award also continues to be rolled out across the organisation with employees in Housing, Streetscene, Leisure Services and Adult Services having the opportunity to complete the qualification.

### r) Information Governance

During the year:-

- Over 1700 requests for information under the Freedom of Information Act and Environmental Information Regulations were dealt with.
- A range of different types of Data Protection Training provided to officers.

## ANNUAL GOVERNANCE STATEMENT

### s) Clwyd Pension Fund

The Annual Report of the Clwyd Pension Fund includes the Fund's Governance Compliance Statement, a review of its effectiveness by the Independent Advisor, details of attendance by Members at committee meetings and the training they have received during the year. During 2014/15 the governance of the Clwyd Pension Fund was enhanced by the development of a 3 year business plan, a training policy to satisfy the requirements of the CIPFA and Pension Regulator knowledge and skills requirements, a Risk Policy and a Conflict of Interest Policy

The governance of the fund will be further strengthened in 2015/16 by the new Clwyd Pension Fund Board which will provide oversight on the work of the committee.

### 5. SIGNIFICANT GOVERNANCE ISSUES

Set out below is a list of significant strategic risks to the Council and the proposed mitigating actions for those risks.

Issues	Risk	Mitigation
Policy and legislative proposals of WG following the consultation on the White Paper – Power to the People	The risks of uncertainty of WG intentions and scale of change, leading to impacts on resources and disruptions to business continuity in planning and transition Possible effect on recruitment and retention given ongoing uncertainty, and impact on morale.	Active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level.  Prioritisation of time and resources for planning any local change which is required to implement any directed change from Welsh Government.
The public sector fiscal position	Reduction in performance and standards due to: (1) The unprecedented scale of major reductions in Welsh Government resources and vying national priorities on the Revenue Support Grant (RSG) and specific grants. (2) The uncertainty over the levels of annual reductions and the period for austerity. (3) The ability to deliver services within the constraints of the low financial base compared to other authorities.	Influencing national decision-makers through negotiation as part of the collective negotiations.  Medium Term Financial Planning on a number of challenging scenarios.

## ANNUAL GOVERNANCE STATEMENT

<p>Medium Term Financial Strategy</p>	<p>The Council's Medium Term Financial Strategy (MTFS) is not sufficiently comprehensive to plan ahead.</p> <p>The ability and appetite of the Council to make big and challenging decisions for the future.</p>	<p>Producing a revised Medium Term Financial Strategy to be published summer 2015 which will be updated on an ongoing basis alongside the 2016/17 budget and beyond. The Strategy has been reviewed thoroughly to (1) forecast the financial resources to be available to the Council during the period 2016/17 – 2017/18, and the budget pressures based on the best available intelligence and (2) identify the solutions available including business plan proposals and alternative delivery models.</p> <p>Continue to lobby WG for earlier and timelier indications of future indicative settlements to enable effective and longer term financial planning to be undertaken.</p> <p>Use Part 1 of the MTFS as a lobbying document to stress the impact of national funding decisions.</p> <p>Earlier Member engagement regarding future strategic decisions that may impact on other longer term options.</p>
<p>Scale and pace of Service portfolio business planning</p>	<p>(1) The ability of the organisation to manage a number of complex and challenging decisions and priorities and change in good time.</p> <p>(2) Insufficient organisational capacity and capability could have negative impacts on continuity, resources, performance, standards and governance arrangements.</p>	<p>Leadership of evidenced business planning and full and early member engagement on options.</p> <p>The most effective allocation of Council capacity, and using Invest to Save funds well to add capacity.</p>
<p>Transition to Alternative Delivery Models</p>	<p>1) Business cases are not fully worked through and create risks.</p> <p>(2) Weak governance arrangement are in place to manage services on a sustainable basis.</p> <p>(3) Business continuity and performance failure during the transition from old to new service delivery models.</p>	<p>A robust business planning process.</p> <p>Effective governance models are in place.</p>
<p>Community Asset Transfers</p>	<p>(1) Lower community take up.</p> <p>(2) Weak governance arrangement are in place to manage services on a sustainable basis.</p> <p>(3) Business continuity and performance failure during the transition from old to new service delivery models.</p>	<p>An effective strategy for engaging with communities.</p> <p>Effective governance models are in place.</p>

## ANNUAL GOVERNANCE STATEMENT

Joint Working with Health	(1) Ability of BCUHB to work with the Council effectively during a period of significant internal change. (2) The financial and service pressures on BCUHB.	Effective working relationships at both governance and operational levels.  Effective joint service and financial planning.
School Modernisation	(1) Acceptance of the new phases of the Council's Schools modernisation programme. (2) The scale and risks of consulting and managing reform.	An effective strategy for change based on the Councils recently revised Schools modernisation policy.
Business Continuity Planning	(1) Business Continuity Plans are dated or insufficient to meet the risks of emerging incidents. (2) The impact on services of disruption.	Completion of review of Business Continuity Plans in 2015.  Ongoing plan maintenance.
Welfare Reform	Protect the vulnerable from the impacts of Welfare Reforms	Implementing the partnership programme of Welfare Reform protective measures  Maintaining welfare reform support, advice and protection as a Council Priority.  Providing specific and targeted support through housing, social care welfare rights and benefits services.
Collaboration Governance	Failing to sufficiently hold services to account which may be managed under new and less immediate collaborative governance arrangements.  Business continuity and performance failure during the transition from old to new service delivery models.	Ensuing agreed and supported governance models for new collaborations.  Fully applying the Council protocol on performance reporting for new collaborative services.
National Reviews of the Public Sector	As a result of the report by the Public Services Commission the potential for major local government reorganisation and change in local government responsibilities and functions.  The risks of uncertainty in forward planning, impacts on resources and disruptions to business continuity in planning and transition for any change set by Welsh Government are significant.	Active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level.  Prioritisation of time and resources for planning any local change which is required to implement any directed change from Welsh Government.
Review of the Council operating Model and Senior Management Structure	Disruption etc. as per the 25 March Council report.	Effective management of the risk transition plan.

## ANNUAL GOVERNANCE STATEMENT

North Wales Residual Waste Treatment Programme	Lead Authority for the programme, in partnership with four other Local Authorities, and site of the proposed plant.	Strong governance through Joint Committee, Inter Authority Agreement being drawn up for the next phase.
<b>Additional Improvement Plan 2013/14 risks status RED at year end.</b>		
Modern, Efficient and Adapted Homes	<p>Maximising our joint resources with our partners.</p> <p>The uncertainty created by the potential review of local government as a consequence of the Public Services Commission has made progress over possible new collaborations a significant challenge.</p>	Influencing national decision-makers and our partners through consultation and negotiation.
Town and Rural Regeneration	<p>Maximising funding opportunities through external programmes to invest in our urban and rural areas.</p> <p>The Council is seeking external funding to support urban and rural regeneration. The main sources of funding are still in transition from the 2007-2013 to the 2014-2020 period, so there is reasonable certainty in planning programmes. The amount of resources available for programmes including town centre regeneration is unlikely to be sufficient to meet need and expectation for investment.</p>	Actively seeking every source of external funding to support urban and rural regeneration.
Matching Resources to Priorities	Gaining political agreement to a business approach for fees and charges which may have public opposition.	Work is underway on a corporate and more commercial policy for fees and charges – not yet completed.

Signed.....Leader of the Council

Signed.....Chief Executive



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **AUDIT COMMITTEE**  
**DATE:** **WEDNESDAY, 15 JULY 2015**  
**REPORT BY:** **CHIEF OFFICER (GOVERNANCE)**  
**SUBJECT:** **ANNUAL GOVERNANCE STATEMENT**

### **1.00 PURPOSE OF REPORT**

1.01 For the committee to consider and approve the draft Annual Governance Statement (AGS) for 2014/15.

### **2.00 BACKGROUND**

2.01 For each financial year the Council is required to produce an AGS as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and it also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. The Chartered Institute of Public Finance and Accountancy has produced a detailed guidance note on the preparation and contents of an AGS.

2.02 As in previous years the preparation of the AGS has been coordinated by the Corporate Governance Officer Working Group who have reported to the Chief Executive, the Monitoring Officer and the Section 151 Officer on its work. The core membership of that working group is shown in Appendix 1.

2.03 The preparation of the draft AGS has been informed by a corporate governance self-assessment undertaken by each of the Council's Chief Officers for their portfolio area. A corporate governance questionnaire was prepared by the working group based on the CIPFA guidance note. The responses received to this self-assessment were challenged by the Corporate Governance Officer Working Group where, for example, they did not provide adequate supporting information for the assessment given.

2.04 At the committee's meeting on the 18 December 2013 it agreed the process for preparation of the draft AGS including questionnaires being sent to Overview and Scrutiny Chairs. All O&S Chairs completed the questionnaire and their views have been taken into account in preparing the draft AGS.

- 2.05 The draft AGS was prepared in compliance with “Delivering Good Governance in Local Government: A Framework” published jointly by CIPFA and the Society of Local Authority Chief Executives (SOLACE). It was then submitted to the Chief Executive, Monitoring Officer and Section 151 Officer for their observations and then to the full Chief Officer Team.
- 2.06 The draft AGS was then submitted for review on an informal basis by the Audit Committee prior to the meeting on 3 June 2015. The version attached to the end of the Statement of Accounts (previous agenda item) incorporates all observations. The final version after approval by the committee and Council will be submitted to the Chief Executive and the Council Leader for signing.
- 2.07 The AGS will be considered by the Wales Audit Office who have to report if it does not reflect compliance with the Guidance in “Delivering Good Governance in Local Government: A Framework” or if they believe it is misleading or inconsistent with other information which they are aware of.

### **3.00 CONSIDERATIONS**

- 3.01 In accordance with the Guidance the governance statement is divided into five numbered sections, namely:-
1. Scope of responsibility
  2. The purpose of the governance framework
  3. The governance framework
  4. Review of effectiveness
  5. Significant governance issues.
- 3.02 A lot of detailed work has gone into the production of the AGS and if members believe there are any inaccuracies in it, it would be helpful if this could be raised prior to the meeting itself so that any such queries can be properly researched prior to the committee meeting.
- 3.03 Members are requested to consider:-
1. Whether the statement accurately reflects the governance framework in place in the authority.
  2. Whether they are satisfied with the overall review of effectiveness.
  3. Whether they agree that the significant governance issues facing the authority are as described in the statement.
  4. Any amendments that should be made.

### **4.00 RECOMMENDATIONS**

- 4.01 For the committee to amend as appropriate and approve the AGS attached to the Statement of Accounts.

**5.00 FINANCIAL IMPLICATIONS**

5.01 None as a result of this report.

**6.00 ANTI POVERTY IMPACT**

6.01 None as a result of this report.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None as a result of this report.

**8.00 EQUALITIES IMPACT**

8.01 None as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 With O&S Chairs and appropriate senior officers.

**11.00 CONSULTATION UNDERTAKEN**

11.01 The preparation of the draft AGS involved all Chief Officers and particularly the Chief Executive, the Monitoring Officer and the Section 151 Officer. It also involved all O&S Chairs. There was an informal briefing for members of the Audit Committee held on 3 June 2015.

**12.00 APPENDICES**

12.01 Appendix 1 – Core membership of the Corporate Governance Working Group.

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

Delivering Good Governance in Local Government: A Framework published by CIPFA and SOLACE.

Corporate governance Self Assessments undertaken by the Chief Officers and O&S Chairs.

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**Corporate Governance Working Group Membership**

David Webster (Chair)	Internal Audit Manager
Peter Evans	Democracy and Governance Manager
Karen Armstrong	Policy and Performance Manager
Vicki Roberts	Performance Team Leader
Sue Ridings	Accountant

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **AUDIT COMMITTEE**

**DATE:** **WEDNESDAY, 15 JULY 2015**

**REPORT BY:** **CORPORATE FINANCE MANAGER**

**SUBJECT:** **SUPPLEMENTARY FINANCIAL INFORMATION TO  
DRAFT STATEMENT OF ACCOUNTS 2014/15**

### **1.00 PURPOSE OF REPORT**

- 1.01 To provide Members with requested supplementary financial information to accompany the Draft Statement of Accounts 2014/15.

### **2.00 BACKGROUND**

- 2.01 Flintshire County Council approved the following notice of motion on 29<sup>th</sup> January 2013:

*In the interests of openness and transparency, this Motion calls for the Council to publish a separate supplementary report to coincide with and accompany the presentation to Council of the Annual Statement of Accounts.*

*This supplementary report to contain, in the same style and presentation as the existing 'Senior Employee Emoluments – Salary over £150,000' and 'Salary over £60,000 per year', the same financial information for ALL council employees, consultants and 'non-permanent posts' with a salary over £60,000 per year who are NOT listed within the existing framework of the Annual Statement of Accounts.*

*In instances where those employees are in post for less than the financial year, then both their actual salary and equivalent annualised salary are to be shown.*

- 2.02 This information was presented as an accompaniment to the 2012/13 Statement of Accounts and Members requested that the report became an annual report presented in conjunction with the Statement of Accounts.

This report contains the information requested above in respect of financial year 2014/15.

### **3.00 CONSIDERATIONS**

- 3.01 The information requested is shown in Appendix 1 to this report. For clarity the information has been split into 3 categories described in paragraphs 3.02 – 3.04 below:
- Table 1 – Council Employees
  - Table 2 – Posts covered by interim or temporary arrangements
  - Table 3 – Consultants and Non-Permanent Posts

- 3.02 Table 1 contains costs (including termination benefits where applicable) for council employees only. For the purpose of this report council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.

As the notice of motion requests, the detail of any council employee already included in the 'Senior Employee Emoluments' note in the Draft Statement of Accounts 2014/15 has not been included.

- 3.03 Table 2 shows the number of interim or temporary arrangements in place to cover posts during 2014/15, which has reduced from the previous year. Where such arrangements are in place, the Council has procured the services of individuals to fulfil the requirements of the post through a contract with another organisation. The Council paid the organisation, and that organisation employed and paid a salary to the individual. Table 2 shows the amounts paid to those organisations for such arrangements in 2014/15. Please note these amounts DO NOT reflect the individuals' salaries.

- 3.04 Table 3 contains information for consultants and non-permanent posts.

It is important that Members note that actual costs incurred by the Council in 2014/15 on consultants and non-permanent posts are in bold in the third column in table 3.

The fourth column, theoretical annual costs, has been supplied to provide an equivalent annualised salary as requested by the notice of motion. Figures have been calculated by taking the daily (or hourly costs in some cases) and grossing up assuming a 37 hour standard week and that 48 weeks per year are worked. As is clear from the difference between both columns the majority were in post for significantly less than a year.

- 3.05 Flintshire County Council leads on a number of collaborative projects with partner Local Authorities, examples include; the North Wales Regional Waste Treatment Project, TAIITH (regional transport consortia) and Regional Emergency Planning service. Members are advised that the information supplied in appendix 1 does not include the costs of any individual working for joint arrangements, given that the expenditure has been incurred by the partnership and not



Flintshire. Joint arrangements that are set up as Joint committees publish their own separate accounts.

**4.00 RECOMMENDATIONS**

4.01 Members note the contents of this report.

**5.00 FINANCIAL IMPLICATIONS**

5.01 None as the report is retrospective.

**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**

Appendix 1 – Supplementary financial information to draft Statement of Accounts 2014/15

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

Various final accounts working papers

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SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2014/15TABLE 1 - COUNCIL EMPLOYEES

Post Title	Note	Remuneration (excluding Employers Pension Contributions) £	Employers Pension Contributions £	Annualised Pay (where applicable) £
Principal Learning Advisor - Primary		60,696	0	
Anti-Social Behaviour Co-ordinator		61,712	8,950	
School Improvement Officer		62,263	0	
Head of Regeneration		63,626	5,099	112,978
Head of Culture and Leisure		66,519	5,099	111,603
Head of Development and Resources		66,903	0	112,978
Housing Strategy Manager		67,290	0	104,648
Property & Design Consultancy Manager		71,210	10,800	
Public Protection Manager		89,288	13,619	
Principal Learning Advisor - Secondary		96,395	0	
Principal Accountant (Waste)		139,150	0	

TABLE 2 - POSTS COVERED BY INTERIM / TEMPORARY ARRANGEMENTS / CONTRACT

Post Title	Note	Cost £	Theoretical Annual Costs £
Interim Facilities Manager	1	23,920	124,800

**Note 1:** Arrangement ceased in June 2014

**Please note: Payments shown are made to the organisations employing these individuals. These payments DO NOT reflect the salaries those individuals have been paid by their respective organisations.**

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## SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2014/15

TABLE 3 - CONSULTANTS AND NON-PERMANENT POSTS 2014/15

Portfolio	Description	Actual Cost Incurred £	Theoretical Annual Costs £
Education and Youth	Commercial Review of Children's Services	10,234	164,450
Education and Youth	Caseload Supervision	700	76,960
Education and Youth	Professional Counselling	350	64,127
Education and Youth	Supervision	495	70,534
Education and Youth	Supervision	1,280	76,960
People and Resources	Project Manager Single Status	34,000	96,000
People and Resources	Project Manager Finance Service Modernisation	16,944	96,000
People and Resources	Counselling Services	19,155	62,160
People and Resources	Doctor - Occupational Health Physician	39,900	228,000
Governance	E-Procurement Project	16,572	156,000
Governance	E-sourcing and E-invoicing Project Management	95,631	95,631
Governance	Education ICT review	19,750	120,000
Governance	System Centre consultancy	20,250	180,000
Social Services	Lead Childrens/Safeguarding Interim	28,500	144,000
Social Services	Events facilitation and support for ADM's	16,750	108,000
Social Services	Temporary change Advisor - Children's Services	12,000	96,000
Social Services	Staff consultations - Children's Services	3,560	72,000
HRA / Community & Enterprise	SHARP Procurement Manager	135,663	183,703
HRA / Community & Enterprise	Single Access Route to Housing - Project	13,252	216,000
HRA / Community & Enterprise	Empty Homes Development Officer	5,443	63,936
<b>Total</b>		<b>490,429</b>	

Please note: Payments shown are made to the organisations employing these individuals. These payments DO NOT reflect the salaries those individuals have been paid by their respective organisations.

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**                 **WEDNESDAY, 15 JULY 2015**

**REPORT BY:**         **CORPORATE FINANCE MANAGER**

**SUBJECT:**           **TREASURY MANAGEMENT ANNUAL REPORT**  
**2014/15 AND 2015/16 QUARTER 1 UPDATE**

### **1.00 PURPOSE OF REPORT**

1.01 To present the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2014/15 and to provide an update on Treasury Management activity in 2015/16 to the end of June 2015.

### **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.

2.02 The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.

2.03 On 18<sup>th</sup> February 2014, the Council approved the Treasury Management Investment Strategy 2014/15, following the recommendation of the Cabinet and consideration by the Audit Committee.

2.04 On 17<sup>th</sup> February 2015, the Council approved the Treasury Management Strategy 2015/16, following the recommendation of the Cabinet and consideration by the Audit Committee.

### **3.00 CONSIDERATIONS**

#### Governance

3.01 A schedule for the reporting cycle for Treasury Management reports 2015/16 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Policy or Investment Strategy these can be addressed within these reports upon request.

## **Treasury Management Annual Report 2014/15**

- 3.02 The draft Treasury Management Annual Report for 2014/15 is attached as Appendix 2 for review. As required by the Council's Financial Procedure Rules, this Annual Report will be reported to the Cabinet and Council.

### **Summary of Key Points**

- 3.03 The UK bank base interest rate again remained at its historic low of 0.5% throughout the year. This was reflected in the low level of interest that the Council was able to generate on its investments; the average interest rate for investments during the year was 0.54%. Section 2 of the annual report provides a review of the economy and interest rates, and Section 4 provides further details of the Council's investment activity during the year.
- 3.04 No new borrowing was undertaken during the year; the Council continued to use cash reserves to fund capital expenditure in place of new borrowing. Debt rescheduling opportunities were considered by officers and the Council's Treasury Management advisors. However, the premia charged for repaying high interest rate debt or replacing it with debt at a lower interest rate was deemed too expensive and therefore made any debt rescheduling unattractive. Section 3 of the annual report provides more information on borrowing and debt management during the year.
- 3.05 The treasury function operated within the limits detailed in the Treasury Management Strategy 2014/15.

### **Treasury Management 2015/16 – Quarter 1 update**

- 3.06 Investments Update  
A statement setting out the Council's investments as at 30<sup>th</sup> June 2015 is attached at Appendix 3. The investment balance at this time was £44.3m, spread across 18 counterparties and the average investment rate was 0.45% for the quarter.
- 3.07 Members will be aware from recent quarterly updates to the Committee of the introduction of banking reform, the so called 'bail-in' regime and the impacts it has had on Flintshire's lending list; with a number of counter parties suspended following reviews by the credit rating agencies.
- 3.08 The effect of reduced counterparties is to reduce the yield earned on investments shown in Appendix 3. In mitigation other types of investments are being considered as opportunities arise, examples include T-bills and Certificates of Deposits (CDs). Security and liquidity of funds must remain the focus however.



## Borrowing Update

### 3.09 **Welsh HRA Subsidy Reform and Introduction of Self Financing**

It was reported in the 2015/16 Treasury Management Strategy that the UK and Welsh Governments, along with all 11 stock retaining authorities in Wales were preparing to sign a voluntary agreement to change the financing arrangements for council housing in Wales in early 2015/16.

The negative subsidy system in operation, which required Flintshire to make annual payments of circa £6m in to Welsh Government ceased at the end of 2014/15. The Council was required to buy itself out of the arrangement by making a one-off 'settlement payment' to the Welsh Government on 2<sup>nd</sup> April 2015.

Part of the agreement was that the Council would borrow in full for the settlement payments from the PWLB at special Welsh HRA Subsidy Reform interest rates. These were set at a margin above PWLB Standard rates due to the methodology adopted by the Welsh Government and HM Treasury in determining the settlement amounts.

Flintshire's settlement payment amounted to £79.2m, and the Council was required to draw down loans that would deliver a minimum interest payment to the PWLB of £3.3m for each of the first five years following settlement.

A schedule of Loans outstanding as at 30<sup>th</sup> June 2015 is attached as Appendix 4 which includes the new loans taken out on 2<sup>nd</sup> April, and the updated Debt Maturity Profile as Appendix 5.

The agreement will generate revenue savings allowing the Council to increase its investment in existing stock and support the delivery of additional supply of housing.

- 3.10 Appendix 4 shows the Council's borrowing as at 30<sup>th</sup> June 2015. The total amount of loans outstanding is £251.3m and the average interest rate payable was 5.02%.

### **4.00 RECOMMENDATIONS**

- 4.01 That Members note the report.

### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 None directly as a result of this report.

### **6.00 ANTI POVERTY IMPACT**

6.01 None directly as a result of this report.

7.00 **ENVIRONMENTAL IMPACT**

7.01 None directly as a result of this report.

8.00 **EQUALITIES IMPACT**

8.01 None directly as a result of this report.

9.00 **PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

10.00 **CONSULTATION REQUIRED**

10.01 Arlingclose Limited.

11.00 **CONSULTATION UNDERTAKEN**

11.01 Arlingclose Limited.

12.00 **APPENDICES**

Appendix 1 - Treasury Management Reporting Cycle 2015/16

Appendix 2 - Draft Treasury Management Annual Report 2014/15

Appendix 3 - Investments outstanding as at 30<sup>th</sup> June 2015

Appendix 4 - Schedule of debt as at 30<sup>th</sup> June 2015

Appendix 5 - Debt Maturity Profile

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

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**Treasury Management Reporting 2015/16**

<b>Committee Report</b>	<b>Purpose</b>	<b>Audit Committee</b>	<b>Cabinet</b>	<b>Council</b>
<b>2014/15 Final Outturn &amp; Q1 2015/16 Update</b>	Information & Policy Change	15-Jul-15	15-Sep-15	24-Sep-15
<b>Mid Year Review 2015/16</b>	Information & Policy Change	27-Jan-16	16-Feb-16	16-Feb-16
<b>Q3 2015/16 Update &amp; 2016/17 Strategy</b>	Information & Policy Change	27-Jan-16	16-Feb-16	16-Feb-16
<b>Q4 2015/16 Update</b>	Information	16-Mar-16		

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**DRAFT**

**FLINTSHIRE COUNTY COUNCIL**

**TREASURY MANAGEMENT**

**ANNUAL REPORT 2014/15**

## **1.00 INTRODUCTION**

- 1.01 The Council approved the Treasury Management Strategy (Strategy) 2014/15 including key indicators, limits and an annual investment strategy on 18<sup>th</sup> February 2014.
- 1.02 The Strategy was produced based on the 2011 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 2014/15 treasury management operations and compare with the Strategy.
- 1.04 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.

## **2.00 ECONOMIC & INTEREST RATE REVIEW 2014/15**

*Provided by Arlingclose Ltd the Council's Treasury Management advisors.*

**Growth and Inflation:** The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

**Labour Market:** The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

**UK Monetary Policy:** The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of

views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough the weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

**Market reaction:** From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

### **3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT**

#### 3.01 PWLB (Public Works Loans Board) Certainty Rate

The Council again qualified for the PWLB Certainty Rate, allowing the authority to borrow at a reduction of 20bps on the Standard Rate.

#### 3.02 Borrowing Activity in 2014/15.

The total long term borrowing outstanding, brought forward into 2014/15 totalled £172.1 million. Loans with the Public Works Loans board were in the form of fixed rate (£143.2m) and variable rate (£10m). The remaining £18.95m was variable in the form of LOBO's (Lender's Option, Borrower's Option). The Council's average borrowing rate throughout the year was 5.41%.

	<b>Balance 01/04/2014 £m</b>	<b>Debt Maturing £m</b>	<b>New Debt £m</b>	<b>Balance 31/03/2015 £m</b>
<b>Capital Financing Requirement</b>	<b>188.4</b>	-	-	<b>190.4</b>
<b>Short Term Borrowing</b>	0.00	0.00	0.00	0.00
<b>Long Term Borrowing</b>	<b>172.1</b>	<b>0.00</b>	<b>0.00</b>	<b>172.1</b>
<b>TOTAL BORROWING</b>	172.1	0.00	0.00	172.1
<b>Other Long Term Liabilities</b>	7.6	0.5	0.00	7.1
<b>TOTAL EXTERNAL DEBT</b>	<b>179.7</b>	<b>0.5</b>	<b>0.00</b>	<b>179.1</b>
<b>Increase/(Decrease in Borrowing (£m))</b>	-	-	-	<b>(0.5)</b>

3.03 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31<sup>st</sup> March 2015 was £190.4m. The Council's total external debt was £179.1m.

3.04 No new long term borrowing was undertaken during 2014/15.

#### 3.05 Loans at Variable Rates

The Council has £10m of PWLB variable rate loans, at an average rate of 0.59% which mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable



interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

### 3.06 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at around 3.42%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £10.29m of capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. However, this position is not sustainable and the Council expects it will need to borrow for capital purposes from 2015/16 onwards.

### 3.07 Lender's Option Borrower's Option Loans (LOBOs)

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the year, none of which were exercised by the lender.

### 3.08 Debt Rescheduling

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence. However, The Chief Finance Officer, along with the Council's Treasury Management Advisors, keeps under review any 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).

### 3.09 Abolition of the PWLB

In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

### 3.10 Welsh HRA Subsidy Reform

The Housing (Wales) Act 2014 became law in Wales on 17<sup>th</sup> September 2014 and provided for the abolition of the negative Housing Revenue Account Subsidy (HRAS) system. The Authority was required to buy itself out of the current arrangement by making 'settlement payments' to the Welsh Government. In return the Authority will be able to keep all future rental revenues generated from the housing stock. A cap has been set by the Welsh Government for how much the Authority can continue to borrow for the HRA in the future. The Authority was required to enter into a Voluntary Agreement with Welsh Ministers under section 80B of the Local Government and Housing Act 1989. This Agreement set out all the terms and conditions of settlement.

The Authority was required to make an application for loans totalling £79.2m on the morning of 31<sup>st</sup> March 2015. As part of the settlement, the Authority was required to borrow for the full settlement amount from the PWLB at special Welsh HRA Subsidy Reform interest rates. These were set at a margin above PWLB Standard rates due to the methodology adopted by the Welsh Government and HM Treasury in determining the settlement amounts. The Authority was required to draw down loans that would deliver a minimum interest payment to the PWLB of £3.3m for each of the first five years following settlement.

Receipt of funding from the PWLB took place on 2 April 2015 on which date the Authority was required to make its settlement payment to the Welsh Government to exit the HRA Subsidy system.

#### 4.00 INVESTMENT ACTIVITY

4.01 The Welsh Assembly Government's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

4.02 Investment Activity in 2014/15

#### Summary of investments as at 31<sup>st</sup> March 2015.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS	7.0	4.0	3.0	
UK BUILDING SOCIETIES	9.2	4.2	5.0	
OVERSEAS	5.0	5.0		
MMF's				
LOCAL AUTHORITIES	6.0	4.0	2.0	
DMO	21.7	21.7		
<b>TOTAL</b>	<b>48.9</b>	<b>38.9</b>	<b>10.0</b>	<b>0.0</b>
<b>% OF PORTFOLIO</b>		79.5%	20.5%	0.0%
<b>TARGET 2014/15</b>		35%	55%	10%

4.03 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Strategy for 2014/15. Investments during the year included:

- Deposits with the Debt Management Office
- Deposits with other Local Authorities
- Investments in AAA-rated Constant Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies

4.05 Credit Risk

The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Authority for the 2014/15 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

#### 4.06 Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Authority's lending list], is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

In October following sharp movements in market signals driven by deteriorating

global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority, therefore increasingly favoured secured investment options or diversified alternatives such as T-bills and pooled funds over unsecured bank and building society deposits.

#### 4.07 Liquidity

In keeping with the WG's Guidance on Investments, the Authority maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

#### 4.08 Yield

The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.

Income earned on £2m of longer-dated investments made in 2013/14 at a rate of 0.95% provided some cushion against the low interest rate environment.

The Authority's budgeted investment income for the year had been estimated at £300k. The average cash balances were £61.7m during the period and interest earned was £323k, at an average interest rate of 0.54%.

### **5.00 COMPLIANCE**

5.01 The Council can confirm that it has complied with its Prudential Indicators for 2014/15, which were approved on 18<sup>th</sup> February 2014 as part of the Council's Treasury Management Strategy.

5.02 In compliance with the requirements of the CIPFA Code of Practice this report

provides members with a summary report of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

5.03 The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2014/15.

## **6.00 OTHER ITEMS**

6.01 The following were the main treasury activities during 2014/15:

- The Chief Finance Officer received a monthly update on treasury activities.
- The Council received a Mid-Year Report on 27<sup>th</sup> January 2015.
- Quarterly updates reports were presented to the Audit Committee.
- All Members were invited to a training session undertaken by Arlingclose Ltd on 21<sup>st</sup> January 2015, which was hosted by Audit Committee.
- The 2015/16 Statement was approved by Council on 17<sup>th</sup> February 2015.
- The Council continues to be an active member of the CIPFA Treasury Management Network.
- 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 £75.2m and the maximum long-term borrowing at any one time was £172.1m.

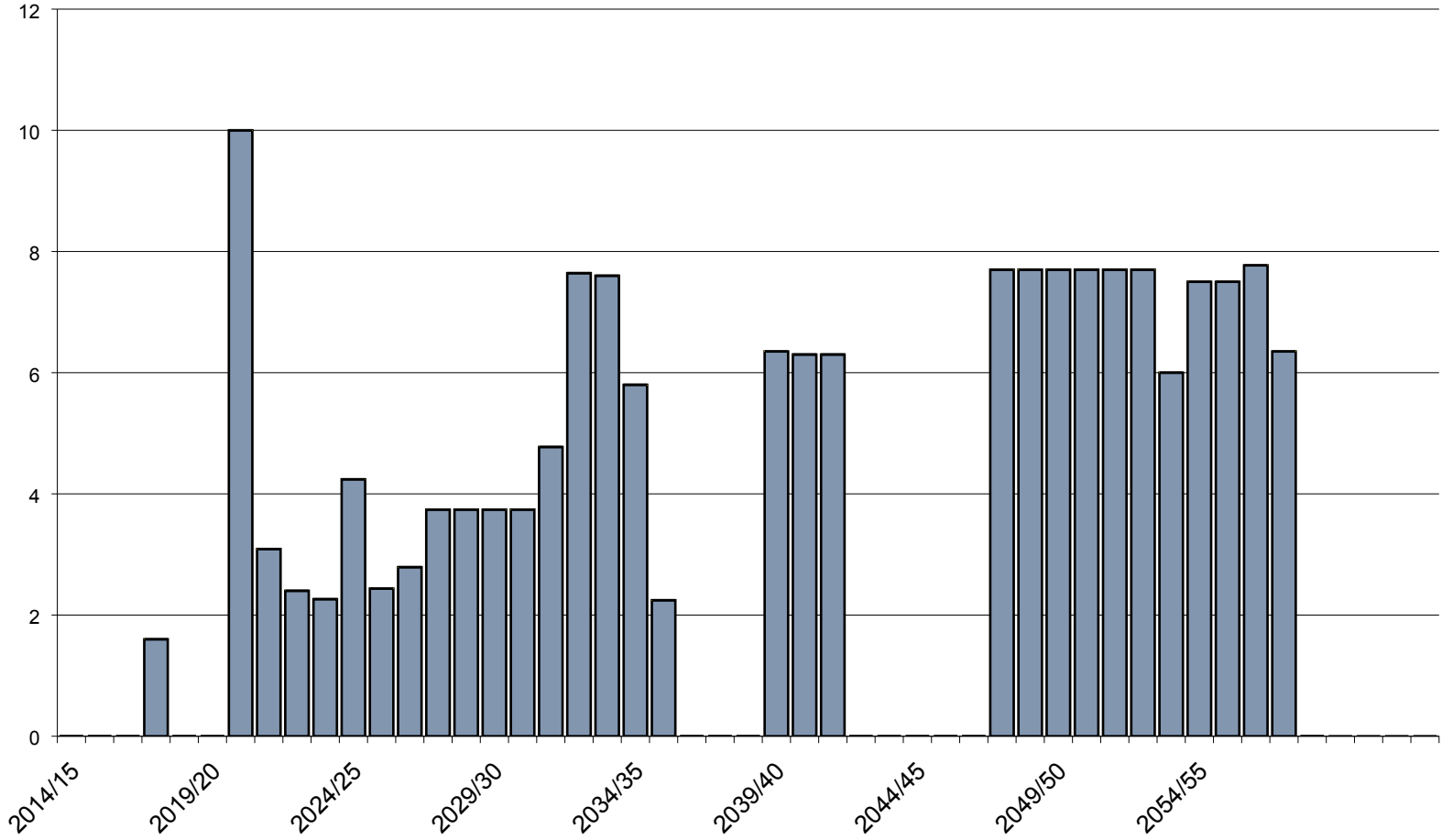
## **7.00 CONCLUSION**

7.01 The treasury management function has operated within the statutory and local limits detailed in the 2014/15 Treasury Management Strategy.

7.02 The Policy was implemented in a pro-active manner with security and liquidity as the focus.

# Debt Maturity Profile

£m



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**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

30th JUNE 2015

APPENDIX 3

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
ABERDEEN CITY COUNCIL	2.0	03/06/15	01/12/15	0.40%	3,967	Local Auth	3 months +
<b>ABERDEEN CITY COUNCIL</b>	<b>2.0</b>						
BARCLAYS	1.0	11/06/15	21/08/15	0.40%	778	UK Bank	1 - 3 months
<b>BARCLAYS</b>	<b>1.0</b>						
BIRMINGHAM CITY COUNCIL	2.0	03/06/15	03/12/15	0.50%	5,014	Local Auth	3 months +
<b>BIRMINGHAM CITY COUNCIL</b>	<b>2.0</b>						
BNP PARIBAS	5.2	01/04/15	31/07/15	0.48%	8,205	MMF	1 month or less
<b>BNP PARIBAS</b>	<b>5.2</b>						
COVENTRY BUILDING SOCIETY	0.8	06/05/15	17/07/15	0.44%	694	UK BS	1 month or less
<b>COVENTRY BUILDING SOCIETY</b>	<b>0.8</b>						
DBS BANK LONDON	1.8	02/06/15	27/11/15	0.57%	5,004	Overseas	3 months +
<b>DBS BANK LONDON</b>	<b>1.8</b>						
FEDERATED INVESTORS (UK)	2.6	07/04/15	31/07/15	0.40%	3,281	MMF	1 month or less
<b>FEDERATED INVESTORS (UK)</b>	<b>2.6</b>						
FURNESS BUILDING SOCIETY	1.0	09/03/15	09/09/15	0.65%	3,277	UK BS	3 months +
<b>FURNESS BUILDING SOCIETY</b>	<b>1.0</b>						
GLASGOW CITY COUNCIL	2.0	08/11/13	09/11/15	0.95%	38,052	Local Auth	3 months +
<b>GLASGOW CITY COUNCIL</b>	<b>2.0</b>						
HANDELSBANKEN	6.6	01/04/15	31/07/15	0.35%	7,658	Overseas	1 month or less
<b>HANDELSBANKEN</b>	<b>6.6</b>						
INSIGHT LIQUIDITY FUNDS LLP	0.9	01/04/14	31/07/15	0.45%	5,380	MMF	1 month or less
<b>INSIGHT LIQUIDITY FUNDS LLP</b>	<b>0.9</b>						
LANCASHIRE COUNTY COUNCIL	1.4	14/05/15	13/11/15	0.45%	3,159	Local Auth	3 months+
<b>LANCASHIRE COUNTY COUNCIL</b>	<b>1.4</b>						
LEEDS BUILDING SOCIETY	2.0	07/04/15	17/07/15	0.51%	2,822	UK BS	1 month or less
LEEDS BUILDING SOCIETY	1.0	01/05/15	28/10/15	0.67%	3,304	UK BS	3 months+
<b>LEEDS BUILDING SOCIETY</b>	<b>3.0</b>						
MORGAN STANLEY	0.3	01/04/15	31/07/15	0.43%	427	MMF	1 month or less
<b>MORGAN STANLEY</b>	<b>0.3</b>						
OVERSEA-CHINESE BANKING CORPORATION	2.7	06/05/15	17/07/15	0.38%	2,024	Overseas	1 month or less
OVERSEA-CHINESE BANKING CORPORATION	1.1	01/06/15	14/08/15	0.40%	892	Overseas	1 - 3 months
OVERSEA-CHINESE BANKING CORPORATION	1.9	01/06/15	18/08/15	0.40%	1,624	Overseas	1 - 3 months
<b>OVERSEA-CHINESE BANKING CORPORATION</b>	<b>5.7</b>						
STANDARD CHARTERED	1.0	12/06/15	11/12/15	0.71%	3,540	CD	3 months +
<b>STANDARD CHARTERED</b>	<b>1.0</b>						
STANDARD LIFE INVESTMENT LIQUIDITY FUND	6.0	01/04/15	31/07/15	0.47%	9,378	MMF	1 month or less
<b>STANDARD LIFE INVESTMENT LIQUIDITY FUND</b>	<b>6.0</b>						
TREASURY BILLS	1.0	08/06/15	07/09/15	0.47%	1,172	T-BILL	1 - 3 months
<b>TREASURY BILLS</b>	<b>1.0</b>						

<b>TOTAL</b>	<b>44.3</b>			<b>0.45%</b>	<b>105,684</b>		
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<b>PREVIOUS QUARTER TOTALS (28th FEB 2015)</b>	<b>48.8</b>			<b>0.54%</b>			
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**FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY**

**30th JUNE 2015**

**APPENDIX 3**

Type of Investment	Total Amount Invested £m	% of Total Portfolio	Period to Investment Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
Debt Mangement Office (DMO)	0.0	0%				
UK Bank	1.0	2%		1		
UK Building Society (UK BS)	4.8	11%	2.8		2	
Overseas	14.1	32%	9.3	3	1.8	
Local Authorities	7.4	17%			7.4	
CD's	1.0	2%			1	
T-Bills	1.0	2%		1		
Money Market Funds (MMF)	15.0	34%	15			
<b>Total (£)</b>	<b>44.3</b>		<b>27.1</b>	<b>5.0</b>	<b>12.2</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>61%</b>	<b>11%</b>	<b>28%</b>	<b>0%</b>

30th JUNE 2015

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWLB Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,226	8.25	143,569	30/09/29
28/09/95	1,740,226	8.25	143,569	30/09/30
28/09/95	1,740,226	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
22/05/97	1,600,000	7.38	118,000	22/11/17
* 17/07/97	4,000,000	7.13	285,000	31/03/55
* 17/07/97	4,000,000	7.13	285,000	31/03/56
* 17/07/97	4,492,873	7.13	320,117	31/03/57
* 17/07/97	3,500,000	7.00	245,000	31/03/55
* 17/07/97	3,500,000	7.00	245,000	31/03/56
* 17/07/97	3,278,252	7.00	229,478	31/03/57
* 20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
* 10/08/99	1,700,000	4.50	76,500	31/03/53
* 10/08/99	3,700,000	4.50	166,500	31/03/52
* 10/08/99	7,700,000	4.50	346,500	31/03/51
* 10/08/99	7,700,000	4.50	346,500	31/03/50
* 10/08/99	7,700,000	4.50	346,500	31/03/49
* 10/08/99	7,700,000	4.50	346,500	31/03/48
05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
* 02/08/05	1,700,000	4.45	75,650	18/04/31
* 02/08/05	4,900,000	4.45	218,050	18/04/32
* 02/08/05	4,600,000	4.45	204,700	18/04/33
* 02/08/05	1,800,000	4.45	80,100	18/04/34
* 02/08/05	2,244,611	4.45	99,885	18/04/35
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/04/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/04/36
02/04/15	8,000,000	4.17	333,600	02/10/36
02/04/15	7,000,000	4.18	292,600	02/04/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/04/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/04/39
<b>Total</b>	<b>222,410,621</b>	<b>5.26</b>	<b>11,694,018</b>	

Market Fixed Rate Loans (LOBOS)				
* 24/07/07	6,350,000	4.48	284,480	24/01/40
* 24/07/07	6,300,000	4.53	285,075	24/01/41
* 24/07/07	6,300,000	4.58	288,540	24/01/42
<b>Total</b>	<b>18,950,000</b>	<b>4.53</b>	<b>858,095</b>	

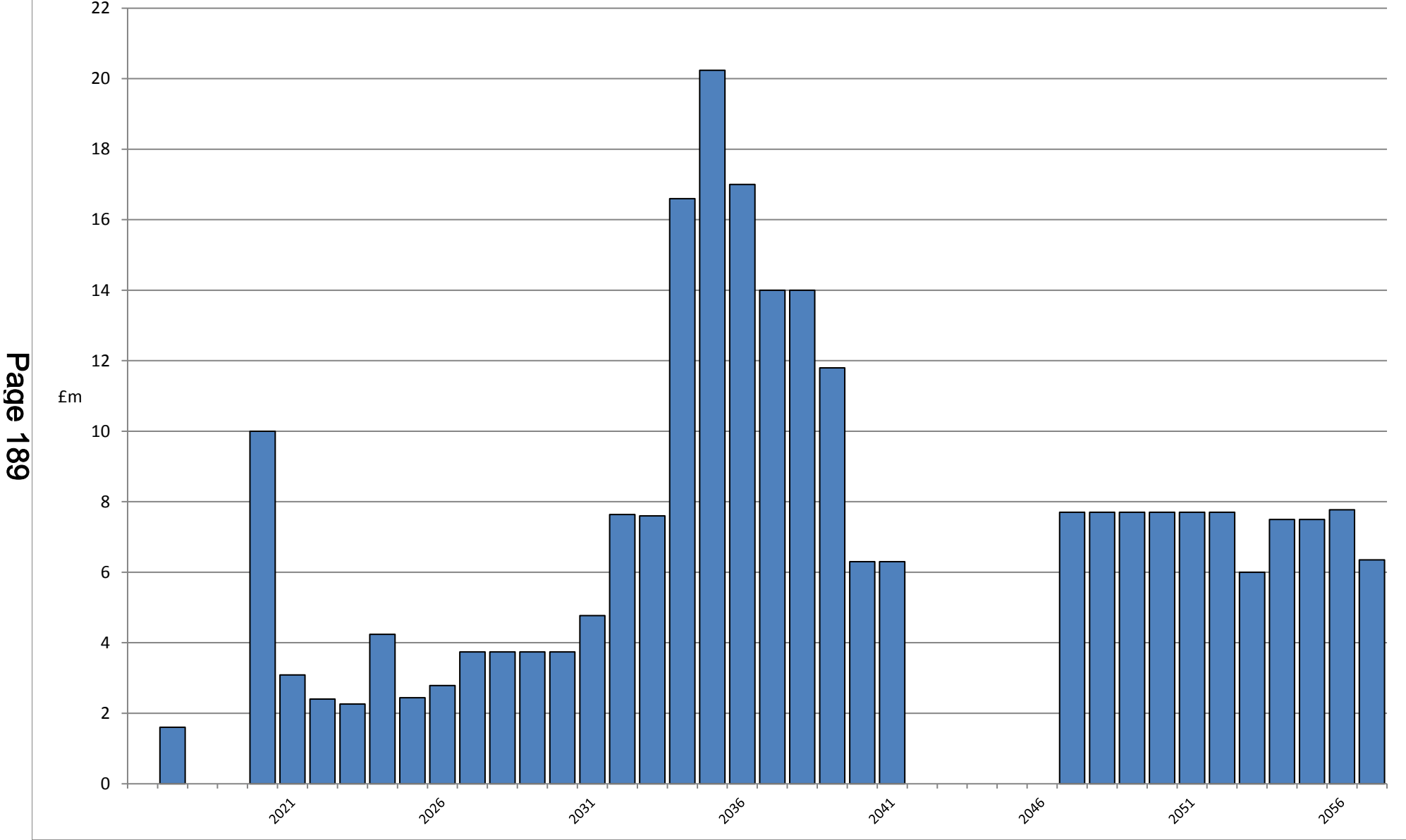
PWLB Variable Rate Maturity Loans				
* 05/05/10	10,000,000	0.60	60,000	05/05/20
<b>Total</b>	<b>10,000,000</b>	<b>0.60</b>	<b>60,000</b>	

Totals				
<b>Fixed Rate</b>	<b>241,360,621</b>		<b>12,552,113</b>	
<b>Variable Rate</b>	<b>10,000,000</b>		<b>60,000</b>	
<b>Grand Total</b>	<b>251,360,621</b>	<b>5.02</b>	<b>12,612,113</b>	

\* New loan due to debt restructuring  
 HRAS Buyout Loans

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Debt Maturity Profile - June 2015



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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **AUDIT COMMITTEE**

**DATE:** **WEDNESDAY, 15 JULY 2015**

**REPORT BY:** **CHIEF OFFICER ORGANISATIONAL CHANGE**

**SUBJECT:** **ASSET DISPOSALS AND CAPITAL RECEIPTS  
GENERATED 2012/13 - 2014/15**

### **1.00 PURPOSE OF REPORT**

1.01 To provide the Audit Committee with information regarding assets that have been disposed of during the period 2012/13 – 2014/15 and the capital receipts generated.

### **2.00 BACKGROUND**

2.01 The Council's Capital Programme is set according to the Council's strategic objectives and priorities. Ensuring that the Council's capital assets are aligned to current and future service delivery, operating in the most cost efficient and effective way.

2.02 Capital expenditure creates revenue implications for the longer term in the form of running costs (along with interest costs and the repayment of borrowing if funded from borrowing) and therefore must be considered carefully within the wider strategic context.

2.03 In recent years the availability of capital resources has reduced with Welsh Government reducing the amount of Capital Grant all Councils receive. Capital receipts generated from asset disposals (property and land) and are a key capital resource and are critical to the Council in supporting its overall strategic priorities and demands in being able to deliver the Council's demanding Capital aspirations.

2.04 Capital receipts, together with other sources of funding are combined to provide general capital funding applied to the Capital Programme as a whole, this is regardless of where receipts have been generated geographically. In this context therefore Capital Receipts are not ring fenced.

2.05 The Council has a rigorous process which it follows when assets are disposed of, with careful consideration given to the strategic long term future service needs and the assets needed to deliver those services. This consideration includes reference to Business Plans, Improvement plans and Medium Term Financial Strategy.

2.06 The disposal programme along with the estimated capital receipts are planned over the medium term with a prudent level of receipts assumed to set and support the future capital programme.

**3.00 CONSIDERATIONS**

3.01 Appendix 1 lists assets disposed in financial years 2012/13 to 2014/15 by ward along with the band width of the capital receipt generated as a result.

**4.00 RECOMMENDATIONS**

4.01 The Audit Committee is requested to receive the report.

**5.00 FINANCIAL IMPLICATIONS**

5.01 None directly as a result of this report

**6.00 ANTI POVERTY IMPACT**

6.01 There are no direct implications in relation to this report.

**7.00 ENVIRONMENTAL IMPACT**

7.01 There are no direct implications in relation to this report.

**8.00 EQUALITIES IMPACT**

8.01 There are no direct implications in relation to this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 There are no direct implications in relation to this report.

**10.00 CONSULTATION REQUIRED**

10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None.

**12.00 APPENDICES**

Appendix 1: Asset Disposal and Capital Receipts 2012/13 – 2013/14



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

Various financial working papers

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VALUE £000	ASSET	2012/13 ASSET TYPE	AREA	ASSET	2013/14 ASSET TYPE	AREA	ASSET	2014/15 ASSET TYPE	AREA	ASSET	2015/16 ASSET TYPE	AREA
£100k - £150k	Land	Land	N Hall	Domestic property	Property	N Brighton	Commercial property	Land	Queensferry			
£150k - £200k	Operational property	Property	Flint	Commercial property	Property	Buckley	Land	Land	H Kinnerton			
£200k - £250k	Land Connahs Quay	Land	C Quay				Land	Land	H Kinnerton			
£250k - £300k				Commercial property	Property	Buckley	Land	Land	H Kinnerton			
£300k - £350k							Land	Land	Hope			
£350k - £400k							Land and Property	Property	Hope			
£400k - £450k												
£450k - £500k							Land and property	Property	Broughton			
£500k - £550k							Land and property	Property	Penyfford			
£550k - £600k	Land	Land	C Quay	Land	Property	Buckley	Land	Land	Buckley			
£600k - £650k				Land and Property	Property	Cilcain	Land and property	Property	H Kinnerton			
£650k - £700k												
£700k - £750k												
£750k - £800k												
£800k - £850k				Land and property	Property	Hope						
£850k+	Land	Land	C Quay									
				<b>12/13 budget 7.02 million target actual achieved 4.136 million</b> <b>13/14 budget 3.91 million target actual achieved 2.483 million</b> <b>14/15 budget 1.25 million target actual achieved 3.438 million</b>								
				<b>15/16 budget zero actual achieved to date 0.816 million</b> <b>The Capital budget report in February anticipated sales of 2.8 million</b>								
										Future sales not allocated band values at present on this table		
										Commercial property	Property	Shotton
										Commercial property	Land	Shotton
										Commercial property	Property	Flint
										Property redevelopment	Land	Hawarden
										Commercial property	Land	Flint
										Commercial property	Property	Flint
										Land	Land	Hope
										Land and property	Property	Halkyn
										Land and property	Property	Holywell
										Land and property	Property	Cilcain

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**  
**DATE:**               **WEDNESDAY, 15 JULY 2015**  
**REPORT BY:**       **INTERNAL AUDIT MANAGER**  
**SUBJECT:**           **ACTION TRACKING**

### **1.00 PURPOSE OF REPORT**

1.01 To inform the committee of the actions resulting from points raised at previous Audit Committee meetings.

### **2.00 BACKGROUND**

2.01 At previous meetings requests for information or reports have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.

### **3.00 CONSIDERATIONS**

3.01 A summary of the points and the actions taken is provided at Appendix A. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

### **4.00 RECOMMENDATIONS**

4.01 The committee is requested to accept the report.

### **5.00 FINANCIAL IMPLICATIONS**

5.01 None as a direct result of this report.

### **6.00 ANTI POVERTY IMPACT**

6.01 None as a direct result of this report.

### **7.00 ENVIRONMENTAL IMPACT**

7.01 None as a direct result of this report.

**8.00 EQUALITIES IMPACT**

8.01 None as a direct result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None as a direct result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 None as a direct result of this report.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None as a direct result of this report.

**12.00 APPENDICES**

12.01 Appendix A – Summary of Action Points.

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

**Contact Officer:** David Webster  
**Telephone:** 01352 702248  
**Email:** david.webster@flintshire.gov.uk

## AUDIT COMMITTEE ACTION SHEET

<b>7<sup>TH</sup> MAY 2014</b>				
<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
93	Audit Committee self-assessment against CIPFA guide	The work of Internal Audit and the Policy, Performance and Partnerships team on external partnership governance and performance be shared with the Committee	Internal Audit Manager.	Review currently taking place.

<b>10<sup>TH</sup> DECEMBER 2014</b>				
<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
42	Internal Audit Progress Report	To share a report on the outcome of the Waste investigation with the Committee, once the process has completed.	Internal Audit Manager	Report to this committee.

**10<sup>TH</sup> DECEMBER 2014**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
42	Internal Audit Progress Report	That the Internal Audit Manager make representations to the Wales Chief Auditors Group, on behalf of the Committee, for all Welsh Councils to participate in the benchmarking exercise.	Internal Audit Manager	To be raised at the next WCAG meeting.

**18<sup>TH</sup> MARCH 2015**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
65	2014/15 Treasury Management update	That future reports include the investment balance position from the previous quarter to show comparison	Finance Manager – Technical Accountancy	Included in report to this committee.
68	Forward Work programme	Report referring to Members' use of iPads / provision of paper copy agendas to be submitted to the next meeting of the Democratic Services Committee	Democracy and Governance Manager	Training on iPads provided prior to the 3 June meeting.



**3<sup>rd</sup> JUNE 2015**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
7	WAO Review of the Council's Whistleblowing Arrangements	To follow up with the Chief Officer (Education & Youth) the comments and concerns raised on the need for schools to adopt a whistleblowing policy.	Internal Audit Manager	Schools contacted to confirm whether they have a whistleblowing policy in place and provide details of the policy.
8	Risk Management Update	To update the relevant dates in the risks summary at Appendix 2 to the report.	Business Performance Manager	Summary updated with the relevant dates.
10	Certification of Grant Claims & Returns 2013/14	To provide more detail on the number of qualified grant claims in terms of the Welsh average.	WAO / Committee Officer	Detail provided in the minutes.
10	Certification of Grant Claims & Returns 2013/14	To arrange for attendance at the WAO interactive training sessions on grant claims to be mandatory for service managers, in addition to officers responsible for dealing with grant claims.	Corporate Finance Manager / Finance Manager	Attendance made mandatory for service managers.

**3<sup>rd</sup> JUNE 2015**

<b>Agenda Item No.</b>	<b>Report</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Action Taken</b>
11	Financial Procedure Rules	That the updated Financial Procedure Rules, incorporating the suggested amendment, be approved and recommended for submission to County Council.	Corporate Finance Manager / Finance Manager	FPR's updated, to Constitution Committee 1.7 15, to Council 23.7.15.
12	Internal Audit Progress Report	To ensure that the audit on S106 Agreements is scheduled into the Plan for 2015/16.	Internal Audit Manager	In plan for Quarter 2, 2015/16.
12	Internal Audit Progress Report	To report back to the Committee actions being taken on the 15 long-standing recommendations.	Internal Audit Manager	Report to be prepared for September committee.
12	Internal Audit Progress Report	To provide the Committee with information on Communities First.	Internal Audit Manager	Information sent by e mail, 9.6.15

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**  
**DATE:**               **WEDNESDAY, 15 JULY 2015**  
**REPORT BY:**       **INTERNAL AUDIT MANAGER**  
**SUBJECT:**           **FORWARD WORK PROGRAMME**

### **1.00 PURPOSE OF REPORT**

1.01 To consider the Forward Work Programme for the Audit Committee for the next year.

### **2.00 BACKGROUND**

2.01 Items feed into the Committee's Forward Work Programme from a number of sources. In order to better manage the workflow for the Audit Committee, the draft programme needs to be kept under review.

### **3.00 CONSIDERATIONS**

3.01 The programme is attached as Appendix A. It has been compiled based on the work that has been done in previous years and from information received from the various contributors to the Committee.

3.02 Although the programme gives the basis of the work of the Committee, it will be subject to change as necessary during the year. Changes will be notified to the Committee when they become known. Members may also wish to propose subjects for future reports or discussion.

### **4.00 RECOMMENDATIONS**

4.01 That the Committee considers the draft Forward Work Programme and approves/amends as necessary.

### **5.00 FINANCIAL IMPLICATIONS**

5.01 None as a result of this report.

### **6.00 ANTI POVERTY IMPACT**

6.01 None as a result of this report.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None arising directly from this report.

**8.00 EQUALITIES IMPACT**

8.01 None as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.00 None as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 Publication of this report constitutes consultation.

**11.00 CONSULTATION UNDERTAKEN**

11.01 Publication of this report constitutes consultation.

**12.00 APPENDICES**

12.01 Appendix A – Forward Work Programme.

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

**Contact Officer: David Webster**  
**Telephone: 01352 702248**  
**Email: David.webster@flintshire.gov.uk**

**AUDIT COMMITTEE**  
**FORWARD WORK PROGRAMME 2015/16**

<b>MEETING DATE</b>	<b>AGENDA ITEM</b>	<b>AUTHOR</b>
<b>24 September 2015</b>	<ul style="list-style-type: none"> <li>• Statement of Accounts 2014/15</li> <li>• Audit of Financial Statements (WAO)</li> <li>• Internal Audit Progress Report</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> </ul>	Gary Ferguson  David Webster David Webster David Webster
<b>27 January 2016</b>	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Risk Management update</li> <li>• Corporate Governance Report</li> <li>• Treasury Management Mid-Year Update and Strategy</li> <li>• Annual Report on external inspections</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> </ul>	David Webster Karen Armstrong Peter Evans Liz Thomas Peter Evans David Webster David Webster

<b>16 March 2016</b>	<ul style="list-style-type: none"> <li>• Audit Plan (WAO)</li> <li>• Annual Improvement Report (WAO)</li> <li>• Treasury Management Update</li> <li>• Internal Audit Progress Report</li> <li>• Internal Audit Strategic Plan</li> <li>• PSIAS Compliance</li> <li>• Audit Committee Self Assessment</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> <li>• Private Meeting (WAO and IA)</li> </ul>	<p>Karen Armstrong Liz Thomas David Webster David Webster David Webster David Webster David Webster David Webster</p>
<b>13 July 2016</b>	<ul style="list-style-type: none"> <li>• Certification of Grants and Returns Report (WAO)</li> <li>• Draft Statement of Accounts</li> <li>• Supplementary Financial Information to Draft Statement of Accounts 2015/16</li> <li>• Draft Annual Governance Statement</li> <li>• Treasury Management Update and Annual Report 2015/16</li> <li>• Internal Audit Annual Report</li> <li>• Internal Audit Progress Report</li> <li>• Risk Management Update</li> <li>• Financial Procedure Rules</li> <li>• Action Tracking</li> <li>• Forward Work Programme</li> </ul>	<p>Liz Thomas Gary Ferguson Liz Thomas</p> <p>Gareth Owens Liz Thomas</p> <p>David Webster David Webster Karen Armstrong Sara Dulson David Webster David Webster</p>

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