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To: Cllr Chris Dolphin (Chairman)

Councillors: Geoff Collett, Andy Dunbobbin, Patrick Heesom, Andrew Holgate,  
Paul Johnson and Arnold Woolley

**Co-opted Member:**  
Sally Ellis

4 September 2019

Dear Sir/Madam

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 11th September, 2019 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

## A G E N D A

### 1 **APOLOGIES**

**Purpose:** To receive any apologies.

### 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

**Purpose:** To receive any Declarations and advise Members accordingly.

### 3 **MINUTES** (Pages 5 - 12)

**Purpose:** To confirm as a correct record the minutes of the meeting on 10 July 2019.

### 4 **STATEMENTS OF ACCOUNTS 2018/19** (Pages 13 - 166)

Report of Corporate Finance Manager - Cabinet Member for Finance

**Purpose:** To present the final audited version of Statement of Accounts for 2018/19 for Members' recommendation to Council, including the external auditor's report.

5 **ANNUAL IMPROVEMENT REPORT 2018/19 OF THE AUDITOR GENERAL FOR WALES** (Pages 167 - 204)

Report of Chief Executive - Cabinet Member for Corporate Management and Assets

**Purpose:** To receive the Annual Improvement Report from the Auditor General for Wales and note the Council's response.

6 **STRATEGIC RISK MANAGEMENT UPDATE** (Pages 205 - 214)

Report of Chief Executive - Leader of the Council and Cabinet Member for Education

**Purpose:** To provide an overview of the strategic approach to Risk Management.

7 **INTERNAL AUDIT PROGRESS REPORT** (Pages 215 - 286)

Report of Internal Audit Manager -

**Purpose:** To present to the Committee an update on the progress of the Internal Audit Department.

8 **APPOINTMENT OF A LAY MEMBER TO THE AUDIT COMMITTEE** (Pages 287 - 290)

Report of Chief Officer (Governance) -

**Purpose:** To consider appointing the preferred candidate for the Lay Member vacancy on the Audit Committee.

9 **AUDIT COMMITTEE ANNUAL REPORT** (Pages 291 - 326)

Report of Chair of Audit Committee -

**Purpose:** To report to Members details of the activities of the Audit Committee during 2018/19.

10 **AUDIT COMMITTEE ACTION TRACKING** (Pages 327 - 332)

Report of Internal Audit Manager -

**Purpose:** To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

11 **FORWARD WORK PROGRAMME** (Pages 333 - 340)

Report of Internal Audit Manager -

**Purpose:** To consider the Forward Work Programme of the Internal Audit Department.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert Robins', with a horizontal line extending to the right.

Robert Robins  
Democratic Services Manager

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## **AUDIT COMMITTEE** **10 JULY 2019**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 10 July 2019

### **PRESENT: Councillor Chris Dolphin (Chairman)**

Councillors: Geoff Collett, Andy Dunbobbin, Patrick Heesom, Paul Johnson and Arnold Woolley

Co-opted member: Sally Ellis

**SUBSTITUTE:** Councillor: Clive Carver (for Andrew Holgate)

### **IN ATTENDANCE:**

Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; Finance Manager - Technical Accountancy; and Democratic Services Officer

Mike Whiteley of Wales Audit Office

Deputy Head and Accountant of Clwyd Pension Fund (for minute number 18)

## **13. SUBSTITUTION**

In accordance with Constitutional requirements, the Committee agreed to allow Councillor Carver (who had undertaken the requisite training) to substitute for Councillor Holgate.

### **RESOLVED:**

That Councillor Clive Carver be permitted as a substitute for the meeting.

## **14. DECLARATIONS OF INTEREST**

On Agenda Item 8 'Risk Management Update', Councillor Woolley declared a personal interest as Chairman of Flintshire Citizens Advice Service due to reference to the risks on Welfare Reform and Universal Credit.

## **15. MINUTES**

The minutes of the meeting held on 5 June 2019 were received.

Minute number 9: Internal Audit Progress Report - Whilst satisfied with the minutes, Councillor Heesom gave notice that he would speak to officers after the meeting about his concerns on issues relating to the item.

### **RESOLVED:**

That the minutes be approved as a correct record and signed by the Chairman.

## **16. DRAFT STATEMENT OF ACCOUNTS 2018/19**

The Corporate Finance Manager presented the Draft Statement of Accounts 2018/19 (subject to audit) for information only at this stage. These comprised the Group accounts, including its wholly owned subsidiaries, and the Annual Governance Statement considered at the previous meeting. The final audited accounts would be received on 11 September for approval and recommendation to County Council on the same day, ready for publication by 15 September in preparation for earlier statutory deadlines.

The Corporate Finance Manager and Finance Manager - Technical Accountancy gave a joint presentation covering the following:

- Purpose and Background of the Accounts
- Contents and Overview
- Responsibility for the Accounts
- Accounts Governance Group
- Links to Budget Monitoring
- Headlines - Council Fund, Revenue Reserves, Capital and Housing Revenue Account (HRA)
- Changes to the Accounts for 2018/19
- Group Accounts
- Timeline and Next Steps
- Impact of Earlier Deadlines
- Clwyd Pension Fund Accounts

Mr. Mike Whiteley of Wales Audit Office (WAO) welcomed the continued co-operation of officers in preparing for the audit and advised that no significant issues had been identified at this early stage. A 'light touch' audit was being undertaken on the three subsidiary companies as they were not deemed to be 'significant' under auditing regulations. If specific areas of concern were to arise during the course of the audit, additional work would be carried out.

On note 28 (related parties), Sally Ellis raised concerns about the increasing amount owed to the Council by the Local Health Board. Whilst acknowledging the links between the two public bodies, she suggested that the issue could be referred to the Overview & Scrutiny function. In providing background, the Chief Executive gave assurance that the matter had been raised with the Health Board and escalated to a high level. Whilst there had been a reduction in the amount owed, he suggested that the Committee may wish him to write formally to raise the concerns as a cashflow and risk issue. Sally Ellis spoke in support of this action.

The Chairman sought assurance that the Social & Health Care Overview & Scrutiny Committee was aware of the matter. The Chief Executive said that whilst the Committee would be aware of the contributing factors, the concerns would be passed on to ensure continued monitoring.

The Chief Officer advised that the figure in the accounts reflected the position at that point in time, and that the current amount owed by the Health Board was

£680K. He said that the matter would be highlighted through the Audit Committee liaison group with Overview & Scrutiny Chairs.

On the Group accounts, Sally Ellis suggested that it would be helpful to include a summary of any significant areas of risk on the accounts of the three subsidiary companies, in particular any possible impact on the core accounts.

The Chief Executive gave assurance on Theatr Clwyd Productions Ltd as a trading company established to access tax relief and Newydd Catering & Cleaning Ltd in providing a continuing service which was operating well.

The Chief Officer explained that the legal structure of North East Wales (NEW) Homes which was wholly owned by the Council meant that assets were protected and the business plan approved annually by Cabinet.

The Finance Manager spoke about the size of the companies in relation to the Council. She suggested that an expanded note on high-level activities and risk summary for each of the companies be included as part of consolidating the accounts from 2019/20.

The Chief Officer provided clarification to Councillor Johnson on the amount owed by Town and Community Councils. The Finance Manager agreed to split the total amounts owed by the North Wales Police & Crime Commissioner and North Wales Fire Authority within the document. On the Youth Exchange Scheme, she explained the requirement for councils to report on funds held outside their own accounts.

The recommendations in the report were moved by Councillor Johnson and seconded by Sally Ellis.

**RESOLVED:**

- (a) That the draft Statement of Accounts 2018/19 (which includes the Annual Governance Statement approved by the Committee at its June 2019 meeting) be noted; and
- (b) That Members note the opportunity to discuss any aspect of the Statement of Accounts with officers or the Wales Audit Office throughout July, August and September, prior to the final audited version being brought back to the Committee for recommendation to Council for final approval on 11 September 2019.

**17. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2018/19**

The Finance Manager - Technical Accountancy presented the supplementary financial information to accompany the draft Statement of Accounts 2018/19 as requested by the Notice of Motion approved by the Council in 2013.

Information on posts covered by interim or temporary appointments reflected amounts paid to organisations for such arrangements and not necessarily the salaries of the individuals concerned. The costs for consultants and non-permanent posts across the Council included theoretical annualised costs if those individuals had been employed for the whole year, as well as the actual costs incurred.

The recommendation was moved by Councillor Woolley and seconded by Councillor Dunbobbins.

**RESOLVED:**

That the report be noted.

**18. DRAFT CLWYD PENSION FUND STATEMENT OF ACCOUNTS 2018/19**

The Corporate Finance Manager introduced the report on the draft Clwyd Pension Fund Statement of Accounts 2018/19 which, following a change in regulations, were now separated from the Council's Statement of Accounts. As approval of the Pension Fund accounts had been delegated to the Clwyd Pension Fund Committee, the report was received for information only.

At its meeting on 12 June, the Clwyd Pension Fund Committee had received a detailed presentation on the accounts on which no significant issues had been raised. The draft Annual Governance Statement (AGS) was also presented, which would be submitted with the audited accounts for approval in September.

In acknowledging the governance arrangements, Sally Ellis said it would be helpful to include in future reports a summary of any points raised by the Clwyd Pension Fund Committee. When asked about the increase in 'oversight and governance' expenses, the Accountant said that these were due to early Actuarial work on the triennial valuation and additional project work on the flight path.

Sally Ellis sought assurance on whether the red risks in the AGS were being successfully mitigated. The Deputy Head of the Pension Fund said that these were a reflection of the highest risks reported as part of a comprehensive risk register to the Clwyd Pension Fund Committee on a quarterly basis.

The Chief Executive said that some risks would remain red due to market volatility and the impact of adjusting to regulatory changes. He spoke about work undertaken by the Clwyd Pension Fund Committee to add flexibility to the market investment strategy supported by internal and external professional advice.

On fund manager diversification, the Deputy Head clarified that no single manager could manage more than 30% of the Fund's assets. The current maximum holding by a single fund manager was 22.8% to manage the Liability Driven Investment (LDI) mandate which aimed to match the profile of Fund members and their liabilities as the Fund grew. Such strategic decisions were subject to regular review by the Committee.



In acknowledging the role of the Clwyd Pension Fund Committee, Sally questioned how the Audit Committee could add value to the process. The Chairman referred to the assurance provided by the Deputy Head and Accountant.

In response, the Chief Executive spoke about the high level of governance on the Fund and suggested that the points raised be referred back to the Clwyd Pension Fund Committee to satisfy itself with the explanations.

Councillor Woolley drew attention to a typographical error in the covering report.

The recommendation was moved by Councillor Johnson and seconded by Councillor Dunbobbins.

**RESOLVED:**

That the report be noted.

**19. TREASURY MANAGEMENT ANNUAL REPORT 2017/18 AND TREASURY MANAGEMENT QUARTER 1 UPDATE 2018/19**

The Finance Manager - Technical Accountancy presented the draft Treasury Management Annual Report 2018/19 for review and recommendation to Cabinet. The Quarter 1 update on matters relating to the Treasury Management Policy, Strategy and Practices 2019/20 was also provided for information, along with the reporting cycle.

In preparation for approving the Treasury Management Strategy for 2020/21, all Members would be invited to the annual training session provided by the Treasury Management Advisors in December. Details of the training session would be circulated once finalised.

During an overview of Treasury Management activities in the first quarter of 2019/20, it was noted that the Council had taken on additional borrowing towards the end of March 2019 in accordance with the borrowing strategy.

In response to a question from Councillor Carver, the Finance Manager gave a brief overview of the borrowing strategy and explained how individual loans were taken out with consideration given to the debt maturity profile at the time. Borrowing needs were balanced against capital financing requirements which were subject to movement upwards for capital expenditure funded by borrowing, and downwards by Minimum Revenue Provision (MRP). MRP regulations required councils to set aside revenue funding for repaying debt which impacted on the overall borrowing position by bringing the capital financing requirement down. The Finance Manager agreed to incorporate more detail on this in the forthcoming training session.

On the investment portfolio, Councillor Johnson asked about the Council's investments with other authorities and was informed that the current approach involved more use of Money Market Funds which provided instant access to manage liquidity risk.

The recommendations were moved by Councillor Dunbobbin and seconded by Councillor Woolley.

**RESOLVED:**

- (a) That the draft Treasury Management Annual Report 2018/19 be noted, with no matters to be drawn to the attention of Cabinet on 24 September 2019; and
- (b) That the Treasury Management 2019/20 first quarter update be noted.

**20. RISK MANAGEMENT UPDATE**

The Chief Executive presented the end of year position statement on strategic risks contained within the Council's 2018/19 Council Plan. The five strategic major (red) risks at year end which were mainly due to external factors as set out in the report.

A detailed report on the risk management systems would be scheduled in the Forward Work Programme to give assurance to the Committee, including the escalation of emerging risks and role of Internal Audit.

Councillor Heesom said that the closed risk on reduction in land supply had not been mitigated due to his concerns about the viability of the flood alleviation scheme in relation to housing impacting on the Northern Gateway. He also raised concerns about risks on the Ambitious Council theme, specifically on the infrastructure of the transport corridor which was vital to future economic development.

The Chief Executive said that Overview & Scrutiny committees were able to challenge risk profiles if they wished. On the supply of affordable housing, the definition of risks were around accessibility to housing, for example the impact on homelessness and pressure on the Housing Options team, rather than building developments. The provision of affordable housing through the Local Development Plan would be a consideration at the forthcoming County Council meeting.

Councillor Woolley asked for an update on the borrowing cap for building council houses. He was informed that the Welsh Government had agreed to extend this and that once received, the response would be shared with the Committee.

In response to Councillor Johnson's question, the Chief Executive said that the red risk on debt levels would remain. Rent income figures and Council Tax collection rates were reported to Overview & Scrutiny and a forthcoming report to Cabinet included mitigating actions to support those affected by Welfare Reform.

An additional recommendation was agreed to reflect the debate, as moved by Councillor Dunbobbin and seconded by Councillor Woolley.

**RESOLVED:**

- (a) That the Committee is assured that risks have been managed throughout the year and notes the end of year status of the strategic risks of the 2018/19 priorities of the Council; and
- (b) That a mid-year report be received on the entire risk management system.

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

There were no members of the press or public in attendance.

The meeting commenced at 10am and finished at 11.30am

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**Chairman**

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 11 September 2019
<b>Report Subject</b>	Statement of Accounts 2018/19
<b>Report Author</b>	Corporate Finance Manager

### **EXECUTIVE SUMMARY**

The report presents the;

- Final version of the Council's Statement of Accounts 2018/19 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit for Members recommendation to Council.
- Wales Audit Office (WAO) International Standards on Auditing (ISA) 260 presentation on the audit of the Statement of Accounts 2018/19.
- Letter of Representation for the Council.

### **RECOMMENDATIONS**

1	Members are requested to recommend the final version of the Statement of Accounts 2018/19 for approval by Council.
2	Members are requested to consider the Wales Audit Office ISA 260 presentation.
3	Members are requested to recommend the Letter of Representation for approval by Council.

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
1.01	The Audit Committee received the draft Statement of Accounts 2018/19 on 10th July 2019, for information only at that stage. The Accounts and Audit (Wales) Regulations 2018 specify the statutory deadline for the approval of the Statement as 15th September.
1.02	The audit of the Statement of Accounts 2018/19 is now substantially complete, although the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts 2018/19 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit and up to the point of writing this report is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 10th July. A letter outlining the queries raised and the responses given has been circulated to all Members. At the time of writing no further queries have been raised with Officers over the summer period.
	<b><u>Wales Audit Office's audit of the Statement of Accounts</u></b>
1.05	Under the ISA 260, WAO is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for Flintshire is the County Council with responsibility for scrutiny delegated to the Audit Committee.
1.06	Officers from the WAO will be in attendance to present their findings at the meeting. As was the case last year, this will take the form of a presentation to the meeting rather than a hard copy report. The presentation is attached as Appendix 2. This approach is intended to make the reporting of audit findings more accessible to Members.
1.07	It is usual within the course of the audit of any organisation that items will be brought to the attention of the body being audited. The audit findings have been discussed in detail with the WAO, and where it has been considered appropriate adjustments have been reflected in the final version of the Statement of Accounts.
1.08	Attached as Appendix 3 to this report is a table which includes details of the more significant amendments made to the draft accounts, together with explanations and the impact of the corrections made to the draft Statement of Accounts 2018/19.
1.09	The Letter of Representation (included at Appendix 4) requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.

	<b><u>The Council's response to the audit findings</u></b>
1.10	<p>It is reassuring that the WAO are reporting that the Council's draft Statement of Accounts were prepared to a good standard with comprehensive working papers, and that the Council is well placed to meet risks and challenges posed by the impending change to statutory deadlines for preparing and publishing local government accounts. Earlier deadlines of the end of May for preparing and the end of July for publishing are being introduced by Welsh Government for financial year 2020/21. To mitigate the risks posed by earlier deadlines it is the Council's intention to use next year, 2019/20, as a 'dry run'. The deadline for producing the draft accounts for 2019/20 will therefore be 31<sup>st</sup> May, and publishing the final audited version by 31<sup>st</sup> July. Consideration is being given to amending committee dates as a result.</p>
1.11	<p>One issue which requires the attention of the Audit Committee is the issues raised by the WAO in relation to the process for valuing fixed assets (the valuations in the Balance Sheet for land and buildings). Whilst the findings did not lead to any material misstatement of asset valuations, there were some issues identified in the asset valuation processes. This was, in part, as a result of resources and the ongoing difficulties in recruiting qualified Valuers.</p> <p>The Council plans to address the issues as follows;</p> <ul style="list-style-type: none"> <li>• Training for the Valuation and Estates team run by CIPFA which is specifically aimed at valuations in a local authority setting.</li> <li>• A comprehensive review of the asset valuations process. This will focus on a single consistent approach to each valuation method with templates to support and document the process, and an agreed quality assurance process. The WAO team will be included in the review.</li> </ul> <p>All teams recognise the importance of an efficient process for accounting and auditing asset valuations. It is essential to ensuring the success of publishing the Council's Statement of Accounts in line with earlier statutory deadlines.</p>
1.12	<p>Following the signing of the draft accounts, the UK government lost its right of appeal against a Judgement known as the 'McCloud' Judgement which will impact on all Public Service Pension Schemes. The ruling found that transitional protections to older members of pension's schemes constituted unlawful age discrimination.</p> <p>The potential impact for the Council is estimated to be an increase in pension past service costs in excess of £10m (based on estimates from the Governments Actuary's Department). Given the value this has required adjustment to the draft accounts, and other local authorities will have been in a similar position. This is the calculated accounting charge to the Council's accounts following accounting standards for valuing accrued pension liabilities which does not impact the Council's overall financial position.</p>

	The actual costs of the judgement will feed through the pension fund triennial valuation and may result in higher pension contributions in the future depending on local circumstances. The issue is expected to take some time to resolve.
1.13	A verbal update on the Clwyd Pension Fund Statement of Accounts 2018/19 and Audit will be provided at the meeting.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no direct resource implications as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required and none undertaken.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Actions will be taken in year (2019/20) to address recommendations from the WAO's report as outlined within the body of the report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<ul style="list-style-type: none"> <li>1. Statement of Accounts 2018/19</li> <li>2. WAO ISA 260 Presentation.</li> <li>3. Table of significant audit issues.</li> <li>4. Flintshire County Council Letter of Representation.</li> </ul>

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Liz Thomas - Strategic Finance Manager. <b>Telephone:</b> 01352 702289. <b>E-mail:</b> <a href="mailto:liz.thomas@flintshire.gov.uk">liz.thomas@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Financial Audit:</b> The annual external audit of the Council's Statement of Accounts.  <b>Financial Year:</b> the period of 12 months commencing on 1 April.



	<p><b>Material:</b> A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p><b>Statement of Accounts / Final Accounts / Financial Accounts or Statements:</b> The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p><b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>
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# STATEMENT OF ACCOUNTS

**2018-19**



# CONTENTS

	Page
<b>Flintshire County Council:</b>	
<b>Narrative Report</b>	1 - 8
<b>Statement of Responsibilities for the Statement of Accounts</b>	9
<b>Expenditure and Funding Analysis</b>	10
<b>Core Financial Statements:</b>	
Comprehensive Income and Expenditure Statement for the year ended 31 <sup>st</sup> March 2019	11
Movement in Reserves Statement for the year ended 31 <sup>st</sup> March 2019	12
Balance Sheet as at 31 <sup>st</sup> March 2019	13 - 14
Cash Flow Statement for the year ended 31 <sup>st</sup> March 2019	15
<b>Notes to the Core Financial Statements:</b>	
1. Note to Expenditure and Funding Analysis	16 - 17
2. Segmental Income and Expenditure	18
3. Income and Expenditure Analysed by Nature	18
4. Other Operating Expenditure	19
5. Financing and Investment Income and Expenditure	19
6. Local Taxation & Non Specific Grant Income	19 - 20
7. Adjustments between Accounting and Funding Basis Under Regulations	21 - 22
8. Property, Plant and Equipment	23 - 25
9. Investment Properties and Agricultural Estate	26 - 27
10. Assets Held For Sale	28 - 29
11. Long Term Investments	29
12. Long Term Debtors	29
13. Short Term Debtors	30
14. Short Term Investments	30
15. Cash and Cash Equivalents	31
16. Borrowing Repayable On Demand Or Within 12 Months	31
17. Creditors	31
18. Grant Income	32 - 33
19. Provisions	33 - 34
20. Long Term Borrowing	34
21. Usable Reserves	34 - 36
22. Unusable Reserves	37 - 40
23. Cash Flow Statement – Operating Activities	40
24. Cash Flow Statement – Investment Activities	40
25. Cash Flow Statement – Financing Activities	40
26. Officers Remuneration (Including Exit Packages)	41 - 43
27. Members' Allowances	43
28. Related Parties	44 - 46
29. Audit Fees	46
30. National Health Services (Wales) Act 2006	46
31. Agency Services	47

32. Other Funds Administered By The Council	47
33. Contingent Liabilities	48
34. Contingent Asset	48
35. Critical Judgments and Assumptions Made	48 - 50
36. Provision for Repayment of External Loans	50
37. Capital Expenditure and Capital Financing	51
38. Future Capital Commitments	51
39. Leasing	52 - 53
40. Accounting Standards Issued but Not Yet Adopted	54
41. Financial Instruments	54 - 60
42. Pensions	60 - 65
43. Prior Period Adjustment	65 - 67

#### **Supplementary Financial Statements:**

Housing Revenue Account Income and Expenditure Account for the Year Ended 31 <sup>st</sup> March 2019	68
Movement on the Housing Revenue Account Statement for the Year Ended 31 <sup>st</sup> March 2019	68
Notes to the Housing Revenue Account for the Year Ended 31 <sup>st</sup> March 2019	69 - 71

<b>Accounting Policies</b>	72 - 87
----------------------------	---------

#### **Group Accounts:**

Flintshire County Council's Single Entity Financial Statements combined with its subsidiaries	88 - 95
---	---------

#### **Flintshire County Council:**

Independent Auditor's Report to the Members of Flintshire County Council	96 - 97
--	---------

<b>Annual Governance Statement</b>	98 - 129
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## **NARRATIVE REPORT**

### **INTRODUCTION**

Flintshire County Council's Statement of Accounts for 2018/19 details the income and expenditure on service provision for the financial year 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 and the value of the Council's assets and liabilities as at 31<sup>st</sup> March 2019. The Group Accounts incorporates the Council's Financial Statements with that of its wholly owned subsidiaries North East Wales Homes Ltd (NEW Homes), Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd.

The Accounts have been prepared in accordance with the requirements of the 2018/19 Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

As always the production of this comprehensive and complex set of accounts has required an enormous effort from many people across the Council, both within finance and within service portfolio areas. The Council has prepared and submitted the Accounts to the Council's External Auditors by the earlier legislative deadline of 15<sup>th</sup> June 2019.

The Council set its budget for the 2018/19 financial year in the context of a continuing reduction in public sector funding and rising demand for its services. Despite facing significant challenges, the Council managed to achieve 98% of its budgeted efficiencies and was able to limit spending to £608k less than its approved budget, due to a combination of one-off savings and good financial management and control. In addition, the Council's overall financial position significantly benefitted as a result of changes made to the Minimum Revenue Provision Policy last year and the receipt of a VAT refund on sporting exemptions. The financial impact of these were £1,400k and £1,940k respectively which allowed the Council to increase its Unearmarked Reserves.

The revenue outturn position, explained below, is important to residents and rent payers, as it records only those expenses which statute allows to be charged against the Council's annual budget and amounts collected from council tax and rents. Revenue outturn differs from the Comprehensive Income and Expenditure Statement (CIES) as the CIES includes charges for items such as depreciation, impairment, capital grants and pension charges which are accounting adjustments not included in the outturn.

In addition to meeting the statutory deadline for producing the Accounts, the finance service also aspires to develop a Statement of Accounts that is more accessible to users. Flintshire County Council is a large and diverse organisation and the information contained in these Accounts is technical and complex. The aim of this narrative statement, therefore, is to provide a general guide to the items of interest and highlights some of the more significant matters that have contributed to the final position for the financial year ending 31<sup>st</sup> March 2019.

### **COUNCIL PERFORMANCE DURING THE YEAR**

The Council Plan for 2018/19 set the Council's priorities for the year, identifying the areas where service change or focus was needed. The Plan has six themes and a number of supporting priorities dependent upon the focus of attention for the year. The plan is published on the Council's website and is a user friendly document which clearly explains for each priority why it is a priority, what we intend to achieve and how we will measure those achievements. A separate linked document is also published which describes in more detail the actual measures and milestones in making improvements or change throughout the year.

Public reports which measure our progress against this document are published quarterly, with the outturn for the year reported to Cabinet in July 2019. This report is available on the Council's website. The end of year report is published in October 2019.

## **NARRATIVE REPORT**

### **FINANCIAL PERFORMANCE DURING THE YEAR**

The revenue budget 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. 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.

#### **Economic climate**

Approximately 72% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2018/19, there was a decrease in funding of 0.2% which was combined with significant cost pressures from factors outside of the Council's control such as policy directions or new legislation from UK and Welsh Government. These unfunded pressures are expected to be met by the Council without extra funds being set aside by Government and include; inflation, demographic growth, additional workforce cost pressures and a general increase in demand for Council services. The impact of funding not keeping pace with increasing costs has significant consequences and is expected to do so in future years as reflected in our latest Medium Term Financial Strategy.

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £5,511k of new efficiencies in our 2018/19 budget, enabling the Council to invest in priorities such as school budgets, social care and providing resources to re-shape services.

#### **Revenue outturn compared to budget**

The Council Fund budget for 2018/19 was set at £264,329k and was approved by Council on 20<sup>th</sup> February 2018. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 16<sup>th</sup> July 2019.

The budget strategy for 2018/19 was based on an organisational strategy to reduce costs to shield and protect local services. It includes a package of measures and proposals which combine corporate financing options, portfolio level business plan proposals, review of pressures, as well as maximisation of income generation and a review of reserves and balances.

Total net expenditure for 2018/19 amounted to £264,065k against the budget of £264,329k.

## NARRATIVE REPORT

	2018/19 Budget £000	2018/19 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,990	2,554	(436)
People and Resources	4,403	4,387	(16)
Governance	8,135	8,307	172
	<u>15,528</u>	<u>15,248</u>	<u>(280)</u>
Social Services	69,266	69,324	58
Housing and Assets	14,640	14,499	(141)
Streetscene and Transportation	29,878	31,423	1,545
Planning, Environment & Economy	5,640	5,589	(51)
Education and Youth	101,043	101,625	582
Strategic Programmes	4,198	4,179	(19)
<b>Net expenditure on services</b>	<b>240,193</b>	<b>241,887</b>	<b>1,694</b>
Central loans and investment account	13,562	13,427	(135)
Central and Corporate Finance	12,519	10,696	(1,823)
<b>Total net expenditure</b>	<b>266,274</b>	<b>266,010</b>	<b>(264)</b>
Contribution from reserves	(1,945)	(1,945)	0
<b>Budget requirement</b>	<b><u>264,329</u></b>	<b><u>264,065</u></b>	<b><u>(264)</u></b>
<b>Financed by</b>			
Council tax (net of community council precepts expenditure)	75,172	75,516	(344)
General grants	140,031	140,031	0
Non-domestic rates redistribution	49,126	49,126	0
<b>Total resources</b>	<b><u>264,329</u></b>	<b><u>264,673</u></b>	<b><u>(344)</u></b>
<b>Net variance - (underspend)</b>	<b><u>0</u></b>	<b><u>(608)</u></b>	<b><u>(608)</u></b>

The underspend of £264k, increased to £608k by way of additional Council Tax income of £344k, combined with other agreed funding transfers to produce year-end Council fund revenue reserves of £14,020k.



## NARRATIVE REPORT

The table below shows the position for the Housing Revenue Account for the year:

	2018/19 Budget £000	2018/19 Actual £000	Variance £000
Estate Management	1,617	1,477	(140)
Landlord Services	1,415	1,408	(7)
Repairs & Maintenance	8,044	7,606	(438)
HRA Projects	87	45	(42)
Finance & Support	1,252	977	(275)
Revenue contributions to fund Capital Expenditure	12,402	14,137	1,735
<b>Net expenditure on services</b>	<b>24,817</b>	<b>25,650</b>	<b>833</b>
Central loans and investment account	8,618	7,508	(1,110)
Support Services	1,040	1,035	(5)
<b>Total net expenditure</b>	<b>34,475</b>	<b>34,193</b>	<b>(282)</b>
Contribution from reserves	330	303	(27)
<b>Budget requirement</b>	<b>34,805</b>	<b>34,496</b>	<b>(309)</b>
<b>Financed by</b>			
Rents	33,780	33,500	280
Grants and Other Income	1,025	996	29
<b>Total resources</b>	<b>34,805</b>	<b>34,496</b>	<b>309</b>
<b>Net variance</b>	<b>0</b>	<b>0</b>	<b>0</b>

2018/19 was the 4<sup>th</sup> year of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard which is in part funded by revenue contributions. The planned WHQS capital programme increased during the year. The increased expenditure was mitigated by underspends on other budget headings. A contribution of £303k was made to HRA reserves bringing the total HRA reserves as at 31<sup>st</sup> March 2019 to £2,221k.

### Capital Programme Budget, Outturn and Financing

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2018/19 Capital Programme was approved in the sum of £60,269k (Housing Revenue Account £36,496k and Council Fund £23,773k); this figure increased during the course of the year to a final programme total of £72,216k, (Housing Revenue Account £27,033k and Council Fund £45,183k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 16<sup>th</sup> July 2019.

## NARRATIVE REPORT

Expenditure incurred is set out in the table below presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) forms, for its published Local Government Finance Statistics. Schemes and projects include; investment in the Council's housing stock as part of the plan to achieve the Welsh Housing Quality Standard, and the 21<sup>st</sup> Century Schools building programme which includes works to Connah's Quay High School and the amalgamation of schools in Penyffordd.

	<b>2019</b>
	<b>£000</b>
Education	15,771
Social services	3,186
Transport	10,254
Housing	29,746
Libraries, culture and heritage	303
Agriculture and fisheries *	55
Sport and recreation	2,794
Other environmental services	4,520
<b>Outturn</b>	<b>66,629</b>

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

The programme was financed as follows -

	<b>2019</b>
	<b>£000</b>
Supported borrowing	4,051
Other borrowing (including Salix loans)	14,554
Capital receipts	999
Capital grants and contributions	30,579
Capital reserves/capital expenditure funded from revenue account	16,446
<b>Core financing</b>	<b>66,629</b>

### Strategic Housing and Regeneration Programme (SHARP)

The Council has embarked on an ambitious house building programme as part of its Strategic Housing and Regeneration Programme (SHARP). Over a 5 year period 500 new homes will be built at a range of sites across the county, a mixture of new council houses and affordable homes, alongside commissioning a range of linked regeneration initiatives and community benefits.

During the year, the Council House building programme continued, all funded through the Housing Revenue Account. 35 new homes were completed and occupied at sites in Connah's Quay, Leeswood, Mold and Shotton. Work began to develop another 79 homes in Llys Dewi, Penyffordd (Holywell), Nant-Y-Gro, Gronant, the former depot site at Dobshell and Maes Gwern, Mold. Total costs during the year equated to £4,233k (included within the housing figure in the Capital Outturn above). Approval was also given in January for a further 12 HRA properties in Garden City, Deeside.

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes (NEW Homes) in partnership with the Council. 62 new affordable homes for rent at The Walks site in Flint (one of the former maisonette sites) have been built and are now occupied. The NEW Homes Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council approved the loan with the final £424k drawn down during the year (also included within the housing figure in the Capital Outturn).

## NARRATIVE REPORT

During the year the NEW Homes Board also approved the development of 30 new affordable homes for rent at Llys Dewi, Penyffordd (Holywell), Nant-Y-Gro, Gronant, and Maes Gwern, Mold. Following a thorough appraisal of capital funding options available the Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council has approved a loan of up to £10,000k, none of which was drawn down during the year.

### Borrowing

The Council undertook £17,531k of long term borrowing from the Public Works Loan Board (PWLB) during 2018/19 to fund capital expenditure schemes including building new homes through the SHARP and the 21<sup>st</sup> Century Schools building programme. A further £10,000k of long term borrowing was arranged at the end of the financial year which will be paid in 2019/20. The balance sheet (long term) borrowing total of £272,383k includes, the sum of £4,313k relating to interest free loans from Salix Finance Ltd, an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings, with new loans taken out during the year for a variety of energy efficiency projects including street lighting, and loans totaling £860k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme.

### Financial Position at 31<sup>st</sup> March 2019

#### Reserves and Provisions

The Council sets funding aside to meet future liabilities and service developments in provisions and reserves held on the Balance Sheet at 31<sup>st</sup> March 2019.

Provisions are based on past events that place an obligation on the Council which is likely to result in a future financial liability, but there is uncertainty over the timing and precise value of the liability. Provisions are disclosed in Note 19.

The Council has established a number of revenue reserves, falling outside the definition of a provision, which are summarised in the table below. The Council fund balance is a measure of the uncommitted reserves the Council holds prudently to meet cash flow requirements and unforeseen future events.

	2019	Net Underspend	Other	2018
	£000	£000	£000	£000
Council fund (unearmarked) balance	14,020	608	(285)	13,697
Earmarked council fund reserves	11,979	0	(1,612)	13,591
Locally managed schools	1,335	0	50	1,285
Housing Revenue Account reserves	2,221	49	254	1,918
<b>Total revenue reserves</b>	<b>29,555</b>	<b>657</b>	<b>(1,593)</b>	<b>30,491</b>

### Pension Liability

The liability recorded in the balance sheet £407,745k has increased by £58,880k during the year, as a result of changes to the financial assumptions used by the pension fund Actuary, and as a result of a recent judgement by the Court of Appeal, called the McCloud judgement, which will impact on all Public Service Pension Schemes. The ruling found that transitional protections to older members constituted unlawful age discrimination. Note 42 provides further information. The main change in financial assumptions relates to the decrease in the discount rate used to discount the future cash flows of the fund and an increase in the assumption of the rate of Consumer Price Index. These assumptions are determined by the Actuary and represent the market conditions at the balance sheet date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate the liability. Disclosures in Note 42 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that 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 Council as reflected in the balance sheet total of £58,992k (£115,014k as at 31<sup>st</sup> March 2018).

## **NARRATIVE REPORT**

### **Revaluation of Non-Current Assets**

All non-current assets must be revalued every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year and during 2018/19 (the fourth year of the current cycle, commencing 1<sup>st</sup> April 2015) 25% of operational non-dwelling assets were revalued. The exception to this arrangement is Council Dwellings which were all valued in 2015/16.

### **FINANCIAL OUTLOOK FOR THE COUNCIL**

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, identifies any funding gap, which enables specific actions to be identified to balance the budget and manage resources.

The MTFS is under constant review to reflect budget developments at a national and local level. The Council has adopted a principled but high risk approach to finding solutions to the unprecedented level of budget savings to be found in recent years and a revised MTFS was shared with Cabinet in April 2019. The Council was able to set a balanced budget for 2019/20 at its meeting in February 2019 although the initial forecast for 2020/21 has identified pressures totaling £13.2m. This forecast will continue to be updated to incorporate budget developments at a national and local level alongside a budget strategy for dealing with the pressures.

Flintshire, as a low funded Council, has made the case that it is particularly exposed to the significant annual reductions to public sector funding to meet current and new cost burdens. In April 2019 the Council created a Working Group consisting of Members across all political parties to develop a case for a more sustainable and equitable approach to Local Government funding alongside the Welsh Local Government Association and will continue to work with Welsh Government to address this as part of its overall financial strategy.

Regular updates will be provided to Cabinet and relevant Scrutiny Committees throughout the year as part of the budget process which will include public engagement and external stakeholder sessions.

There continues to be a high level of uncertainty around how Britain will leave the European Union and the resulting impact of the decision to leave. The Council continues to monitor the situation and manage the risks as much as practical, however, at the present time the Council has concluded that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired, or that its liabilities need to be reviewed.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Council has a comprehensive risk management policy and strategy. All the priority areas within the Council Plan identify the risks which may prevent or hinder successful delivery of our aims. These risks are assessed and then tracked throughout the year on a minimum quarterly basis. Risk management is also embedded within our ways of working – for example, through partnerships, business plan efficiency reports and within each report submitted to Cabinet or Overview and Scrutiny Committees.

The Audit Committee receives a summary of the Council's strategic risks at both mid-year and end of year. The end of year risk register was reported to Audit Committee in July 2019 and is available on the Council's website.

## **NARRATIVE REPORT**

### **CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS**

During the year no significant changes have been introduced to the Council's Statement of Accounts.

The reporting segments (service portfolios) used in revenue budget monitoring reports have changed slightly to reflect changes in responsibility at Chief Officer Level. Changes to match have therefore been made to the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis and associated notes. The prior year comparators have also been amended. Further information is available in Note 43.

The Accounts and Audit (Wales) Regulations 2018 came into force on 14<sup>th</sup> March 2018. The regulations confirmed the new timetables for the publishing of statements of accounts in Wales. In 2018/19 the deadline for certification by the Section 151 Officer has been brought forward to 15<sup>th</sup> June 2019, and for 2020/21 will be brought forward to 31<sup>st</sup> May 2020. The Council is actively preparing for having to produce its accounts earlier in conjunction with its external auditors. The regulations also remove the requirement for pension fund statements to be included in the administering bodies' accounts.

### **CHANGE IN ACCOUNTING POLICIES**

Minor changes to accounting policies have been made during 2018/19 to reflect changes in the Code of Practice. In the main this relates to the Code's adoption of IFRS 9 Financial Instruments. There have been no other significant changes to accounting policies during the year.

### **FURTHER INFORMATION**

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

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

### **THE COUNCIL'S RESPONSIBILITIES**

The Council 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 Council, 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 :**

**Cllr Marion Bateman  
Chair to the County Council**

**Date :**

### **THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES**

The Chief Finance Officer is responsible for the preparation of the Council'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 statement of accounts presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2019, and its income and expenditure for the year then ended.

**Signed :**

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

**Date :**

## EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31<sup>st</sup> March 2019

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,554	(17)	2,537	22	2,559
Education & Youth	101,625	443	102,068	3,366	105,434
Governance	7,963	211	8,174	1,551	9,725
Housing & Assets	14,499	997	15,497	(2,998)	12,499
People & Resources	4,387	(66)	4,321	71	4,392
Planning, Environment & Economy	5,589	117	5,706	362	6,068
Social Services	69,324	(65)	69,259	660	69,919
Strategic Programmes	4,179	41	4,220	6,105	10,325
Streetscene	31,423	718	32,141	5,627	37,768
Central & Corporate Finance	22,178	(611)	21,566	(6,774)	14,792
Housing Revenue Account	(49)	(254)	(303)	8,984	8,681
Clwyd Theatr Cymru	0	58	58	32	90
<b>Cost of services</b>	<b>263,672</b>	<b>1,572</b>	<b>265,244</b>	<b>17,008</b>	<b>282,252</b>
Other Income and Expenditure	(264,328)	20	(264,308)	8,495	(255,813)
<b>(Surplus)/deficit on the provision of services</b>	<b>(656)</b>	<b>1,592</b>	<b>936</b>	<b>25,503</b>	<b>26,439</b>
<b>Opening Council Fund / HRA Reserves</b>			30,491		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(633)		
Housing Revenue Account (HRA)			(303)		
<b>Closing Council Fund / HRA Reserves</b>			<b>29,555</b>		

Restated 2017/18	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,805	51	2,856	39	2,895
Education & Youth	99,709	1,112	100,821	5,991	106,812
Governance	7,534	296	7,830	2,414	10,244
Housing & Assets	13,406	161	13,567	(6,574)	6,993
People & Resources	4,412	117	4,529	112	4,641
Planning, Environment & Economy	5,568	126	5,694	1,186	6,880
Social Services	63,250	149	63,399	813	64,212
Strategic Programmes	5,702	99	5,801	1,701	7,502
Streetscene	29,928	(317)	29,611	5,820	35,431
Central & Corporate Finance	20,735	3,192	23,927	(26,129)	(2,202)
Housing Revenue Account	0	(276)	(276)	16,119	15,843
Clwyd Theatr Cymru	0	5	5	39	44
<b>Cost of services</b>	<b>253,049</b>	<b>4,715</b>	<b>257,764</b>	<b>1,531</b>	<b>259,295</b>
Other Income and Expenditure	(255,156)	20	(255,136)	21,584	(233,551)
<b>(Surplus)/deficit on the provision of services</b>	<b>(2,107)</b>	<b>4,735</b>	<b>2,628</b>	<b>23,116</b>	<b>25,743</b>
<b>Opening Council Fund / HRA Reserves</b>			33,120		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(2,903)		
Housing Revenue Account (HRA)			276		
<b>Closing Council Fund / HRA Reserves</b>			<b>30,493</b>		

\*The 2017/18 figures have been restated as explained in Note 43. This has not changed the total figure in the EFA or CIES.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2019

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.

		2019		Restated 2018			
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>							
Chief Executive's		2,707	(147)	2,559	3,016	(121)	2,895
Education & Youth		132,948	(27,514)	105,434	136,015	(29,203)	106,812
Governance		11,871	(2,146)	9,725	12,734	(2,491)	10,243
Housing & Assets		53,412	(40,913)	12,499	50,952	(43,958)	6,994
People & Resources		4,757	(365)	4,392	5,033	(392)	4,641
Planning, Environment & Economy		10,858	(4,790)	6,068	11,539	(4,658)	6,881
Social Services		90,983	(21,064)	69,919	85,033	(20,822)	64,211
Strategic Programmes		10,842	(517)	10,325	9,554	(2,052)	7,502
Streetscene		48,597	(10,829)	37,768	47,355	(11,924)	35,431
Central & Corporate Finance		18,016	(3,224)	14,792	(900)	(1,303)	(2,203)
Housing Revenue Account		43,829	(35,148)	8,681	48,959	(33,115)	15,844
Clwyd Theatr Cymru		6,999	(6,908)	90	5,932	(5,889)	43
<b>Cost of services</b>		<b>435,818</b>	<b>(153,565)</b>	<b>282,252</b>	<b>415,222</b>	<b>(155,928)</b>	<b>259,293</b>
Other Operating Expenditure	4			26,727			26,221
Financing and Investment Income and Expenditure	5			20,257			20,716
Taxation and Non-Specific Grant Income	6			(302,797)			(280,488)
<b>(Surplus)/deficit on the provision of services</b>	<b>3</b>			<b>26,439</b>			<b>25,742</b>
(Surplus)/deficit arising on revaluation of non-current assets				(8,717)			(48,838)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				38,303			(48,404)
<b>Total comprehensive income and expenditure</b>				<b>56,025</b>			<b>(71,500)</b>

\*The 2017/18 figures have been restated as explained in Note 43. This has not changed the total figure in the CIES or EFA.



## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2019

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 Increase / Decrease in the year shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves as shown in Note 21.

		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
<b>At 31st March 2018</b>		<b>28,575</b>	<b>1,918</b>	<b>14,094</b>	<b>4,825</b>	<b>49,412</b>	<b>65,605</b>	<b>115,017</b>
In Year Movement in Reserves								
Total comprehensive income and expenditure		(12,314)	(14,125)	0	0	(26,439)	(29,586)	(56,025)
Adjustments between accounting and funding basis under	7	11,073	14,428	1,851	1,838	29,190	(29,190)	0
<b>Increase/(decrease) in year</b>		<b>(1,241)</b>	<b>303</b>	<b>1,851</b>	<b>1,838</b>	<b>2,751</b>	<b>(58,776)</b>	<b>(56,025)</b>
<b>At 31st March 2019</b>		<b>27,334</b>	<b>2,221</b>	<b>15,945</b>	<b>6,663</b>	<b>52,163</b>	<b>6,829</b>	<b>58,992</b>

		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
<b>At 31st March 2017</b>		<b>31,478</b>	<b>1,642</b>	<b>10,671</b>	<b>4,012</b>	<b>47,803</b>	<b>(4,285)</b>	<b>43,518</b>
In Year Movement in Reserves								
Total comprehensive income and expenditure		(4,600)	(21,143)	0	0	(25,743)	97,242	71,499
Adjustments between accounting and funding basis under	7	1,697	21,419	3,423	813	27,352	(27,352)	0
<b>Increase/(decrease) in year</b>		<b>(2,903)</b>	<b>276</b>	<b>3,423</b>	<b>813</b>	<b>1,609</b>	<b>69,890</b>	<b>71,499</b>
<b>At 31st March 2018</b>		<b>28,575</b>	<b>1,918</b>	<b>14,094</b>	<b>4,825</b>	<b>49,412</b>	<b>65,605</b>	<b>115,017</b>

# BALANCE SHEET

as at 31<sup>st</sup> March 2019

		2019		2018	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>8</b>				
Council dwellings		203,171		207,735	
Other land and buildings		315,377		313,234	
Vehicles, plant, furniture and equipment		13,956		14,577	
Surplus assets		7,082		8,934	
Infrastructure assets		156,782		153,463	
Community assets		4,721		4,721	
Assets under construction		24,281		7,512	
<b>Total Property, Plant &amp; Equipment</b>			725,370		710,176
Investment properties and Agricultural Estate	<b>9</b>		27,035		29,064
Intangible assets			25		57
Long term investments	<b>11</b>		2,144		0
Long term debtors	<b>12</b>		7,771		2,387
<b>NON-CURRENT ASSETS TOTAL</b>			762,345		741,684
<b>CURRENT ASSETS</b>					
Inventories		1,036		836	
Short term debtors (net of impairment provision)	<b>13</b>	43,845		44,675	
Short term investments	<b>14</b>	0		0	
Cash and cash equivalents	<b>15</b>	30,335		31,803	
Assets held for sale	<b>10</b>	1,113		1,517	
<b>CURRENT ASSETS TOTAL</b>			76,329		78,831
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months	<b>16</b>	(50,454)		(58,084)	
Short term creditors	<b>17</b>	(35,953)		(30,622)	
Provision for accumulated absences		(2,666)		(1,776)	
Deferred liabilities	<b>39</b>	(555)		(541)	
Grants receipts in advance	<b>18</b>	(1,815)		(2,512)	
Provisions	<b>19</b>	(112)		(609)	
<b>CURRENT LIABILITIES TOTAL</b>			(91,555)		(94,144)
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	<b>17</b>	(1,532)		(1,342)	
Long term borrowing	<b>20</b>	(272,379)		(253,672)	
Deferred liabilities	<b>39</b>	(4,479)		(4,846)	
Provisions	<b>19</b>	(990)		(1,000)	
Other long term liabilities	<b>42</b>	(407,745)		(348,865)	
Grants receipts in advance	<b>18</b>	(1,002)		(1,632)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			(688,127)		(611,357)
<b>NET ASSETS</b>			58,992		115,014

## BALANCE SHEET

		2019		2018	
	Note	£000	£000	£000	£000
<b>USABLE RESERVES</b>	<b>21</b>				
Capital receipts reserve		15,945		14,094	
Capital grants unapplied		6,663		4,825	
Council fund		14,020		13,697	
Earmarked reserves		13,314		14,876	
Housing revenue account		2,221		1,918	
<b>USABLE RESERVES TOTAL</b>			52,163		49,410
<b>UNUSABLE RESERVES</b>	<b>22</b>				
Revaluation reserve		105,289		103,062	
Capital adjustment account		317,944		319,537	
Financial instruments adjustment account		(6,091)		(6,452)	
Pensions reserve		(407,745)		(348,865)	
Deferred capital receipts		98		98	
Accumulated absences account		(2,666)		(1,776)	
<b>UNUSABLE RESERVES TOTAL</b>			6,829		65,604
<b>TOTAL RESERVES</b>			<u>58,992</u>		<u>115,014</u>

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 Council 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 Council 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 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

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	2019		2018	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(26,439)		(25,743)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		83,971		62,551	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(35,227)</u>		<u>(20,986)</u>	
Net cash flows from operating activities	23		22,305		15,822
Net cash flows from investing activities	24	(34,158)		(30,087)	
Net cash flows from financing activities	25	<u>10,385</u>		<u>39,106</u>	
<b>Net increase or decrease in cash and cash equivalents</b>			<u>(23,773)</u> (1,468)		<u>9,019</u> 24,841
Cash and cash equivalents at the beginning of the reporting period	15		31,803		6,962
<b>Cash and cash equivalents at the end of the reporting period</b>	15		<b>30,335</b>		<b>31,803</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31<sup>st</sup> March 2019

### INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Council's accounting policies. The notes that follow (1 to 43) set out supplementary information to assist readers of the accounts.

### 1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

The adjustments between the funding and accounting basis within the Expenditure and Funding Analysis is explained in more detail below:

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2018/19			Total Adjustments £000
	Adjustments for Capital Purposes	Adjustments for Employee Benefit Purposes	Other Adjustments	
	£000	£000	£000	
Note	a	b	c	
Chief Executive's	0	22	0	22
Education & Youth	3,748	(44)	(338)	3,366
Governance	1,269	71	211	1,551
Housing & Assets	8,758	1	(11,757)	(2,998)
People & Resources	0	71	0	71
Planning, Environment & Economy	549	90	(277)	362
Social Services	361	343	(44)	660
Strategic Programmes	6,256	53	(204)	6,105
Streetscene	7,367	166	(1,906)	5,627
Central & Corporate Finance	1,513	11,058	(19,345)	(6,774)
Housing Revenue Account	30,572	79	(21,667)	8,984
Clwyd Theatr Cymru	0	32	0	32
<b>Cost of services</b>	<b>60,393</b>	<b>11,942</b>	<b>(55,327)</b>	<b>17,008</b>
Other Income and Expenditure from the EFA	(29,833)	9,526	28,802	8,495
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>30,560</b>	<b>21,468</b>	<b>(26,525)</b>	<b>25,503</b>

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	Restated 2017/18			Total Adjustments £000
	Adjustments for Capital Purposes	Adjustments for Employee Benefit Purposes	Other Adjustments	
	£000	£000	£000	
Note	a	b	c	
Chief Executive's	0	40	0	40
Education & Youth	7,817	(1,608)	(219)	5,991
Governance	1,695	110	609	2,414
Housing & Assets	3,158	92	(9,824)	(6,574)
People & Resources	0	112	0	112
Planning, Environment & Economy	1,260	146	(220)	1,186
Social Services	269	544	0	813
Strategic Programmes	1,937	0	(235)	1,701
Streetscene	6,023	259	(462)	5,820
Central & Corporate Finance	1,343	(8,655)	(18,817)	(26,129)
Housing Revenue Account	35,239	123	(19,243)	16,119
Clwyd Theatr Cymru	0	39	0	39
<b>Cost of services</b>	<b>58,741</b>	<b>(8,799)</b>	<b>(48,411)</b>	<b>1,531</b>
Other Income and Expenditure from the EFA	(16,663)	10,142	28,106	21,585
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>42,078</b>	<b>1,343</b>	<b>(20,305)</b>	<b>23,116</b>

\*The 2017/18 figures have been restated as explained in Note 43. This has not changed the total figure in the CIES.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **a. Adjustments for Capital Purposes**

This column adds in capital accounting adjustments that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; depreciation, impairments, revaluation losses, amortisation, and revenue expenditure funded from capital under statute (REFCUS).

Net gains and losses on the disposal of non-current assets (included within other operating expenditure) and capital grants and contributions (included within taxation and non-specific grant income and expenditure) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within capital accounting adjustments.

### **b. Adjustments for Employee Benefit Purposes**

This column adds in accounting adjustments related to IAS 19 Employee Benefits that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; pension adjustments – removing the employer pension contributions made to the pension funds during the year, and replacing with the current service and past service costs (being the calculated benefit earned during the year), and the movement on the accumulated absences provision (being the accounting cost of leave entitlements earned by employees but not taken before the year-end which is carried forward into the next financial year).

The administrative expenses and the net interest on the net defined benefit liability (included within other operating expenditure and financing and investment income and expenditure respectively) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within employee benefit accounting adjustments.

### **c. Other Adjustments**

This column contains all other accounting adjustments required in the Comprehensive Income and Expenditure Statement by the Code of Practice that are not reported within a portfolio's final outturn and includes; Capital grants received to fund REFCUS, removal of charges to revenue to fund capital schemes, removal of statutory provision for the financing of capital expenditure (Minimum Revenue Provision) and debt rescheduling.

In addition, the column also includes adjustments for transactions reported within a portfolio's final outturn required by the Code of Practice to be reported below the Cost of Services line within the Comprehensive Income and Expenditure Statement and includes; income and expenditure related to investment properties (included within financing and investment income and expenditure), interest payable and interest and investment income (included within financing and investment income and expenditure).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. SEGMENTAL INCOME AND EXPENDITURE

Income and expenditure reported on a segmental basis included within the column 'Net Portfolio Final Outturn' in the Expenditure and Funding Analysis as required by the Code of Practice is shown below:

2018/19	CE £000	E&Y £000	Gov £000	H&A £000	P&R £000	PE&E £000	SS £000	SP £000	S&T £000	Central and Corporate Finance £000	Theatr Clwyd £000	HRA £000	Total £000
Revenues from External Customers	(137)	(6,463)	(2,108)	(3,523)	(315)	(2,625)	(9,440)	(101)	(8,400)	(3,224)	(4,588)	(35,032)	(75,956)
Revenues from Transactions with other Operating Segments	0	(2,325)	(1,063)	(466)	(158)	(197)	(168)	0	(807)	0	(559)	0	(5,743)
Interest Revenues	0	0	0	0	0	0	0	0	0	(441)	0	0	(441)
Interest Expense	0	0	0	0	0	0	0	0	0	8,010	0	4,974	12,984

Restated 2017/18	CE £000	E&Y £000	Gov £000	H&A £000	P&R £000	PE&E £000	SS £000	SP £000	S&T £000	Central and Corporate Finance £000	Theatr Clwyd £000	HRA £000	Total £000
Revenues from External Customers	(121)	(8,798)	(2,548)	(3,861)	(385)	(2,243)	(9,078)	(1,646)	(9,408)	(1,302)	(3,975)	(33,115)	(76,480)
Revenues from Transactions with other Operating Segments	0	(3,881)	(1,061)	(721)	(42)	(170)	(135)	(119)	(905)	(119)	(68)	0	(7,220)
Interest Revenues	0	0	0	0	0	0	0	0	0	(137)	0	0	(137)
Interest Expense	0	0	0	0	0	0	0	0	0	7,913	0	4,637	12,550

\*The 2017/18 figures have been restated as explained in Note 43. This has not changed the total figure in the CIES or EFA.

### 3. INCOME AND EXPENDITURE ANALYSED BY NATURE

Income and Expenditure reported within the Comprehensive Income and Expenditure Statement is analysed as follows:

Nature of Expenses	2018/19 £000	2017/18 £000
<b>Expenditure</b>		
Employee Benefit Expenses	189,352	169,420
Other Service Expenses	196,529	198,452
Depreciation, Amortisation & Impairment	60,265	58,589
Interest Payments	13,474	13,090
Precept and Levies	26,733	25,886
Gain or loss on disposal of fixed assets	(924)	(559)
<b>Total Expenditure</b>	<b>485,429</b>	<b>464,879</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(74,526)	(71,691)
Grants and Contributions	(247,979)	(235,687)
Interest and Investment Income	(2,627)	(2,720)
Income from Council Tax and Non-Domestic Rates	(133,857)	(129,039)
<b>Total Income</b>	<b>(458,990)</b>	<b>(439,136)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>26,439</b>	<b>25,743</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. OTHER OPERATING EXPENDITURE

	2019 £000	2018 £000
Precept - Office of North Wales Police and Crime Commissioner	16,477	15,836
Other preceptors - Community Councils	2,847	2,711
Levy - North Wales Fire and Rescue Authority	7,410	7,340
Net gain on the disposal of non-current assets	(924)	(559)
Admin. expenses on the net defined benefit liability	917	894
	<u>26,727</u>	<u>26,221</u>

### 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,257k (£20,716k in 2017/18), incorporates the investment losses and investment expenditure detailed below:

	2019 £000	2018 £000
Interest payable and similar charges	13,474	13,189
Investment losses and investment expenditure	2,365	2,005
Net interest on the net defined benefit liability (see note 42)	8,609	9,248
Interest and investment income	(4,191)	(3,727)
	<u>20,257</u>	<u>20,716</u>

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

	2019 £000	2018 £000
Council tax income	(84,732)	(79,350)
Non-domestic rates	(49,126)	(49,688)
Non-ringfenced government grants	(140,030)	(135,345)
Capital grants and contributions	(28,909)	(16,105)
	<u>(302,797)</u>	<u>(280,488)</u>

#### 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 2018/19 was 63,835 band 'D' equivalent properties (63,543 in 2017/18).



## NOTES TO THE CORE FINANCIAL STATEMENTS

The Flintshire County Council precept for a band 'D' property in 2018/19 was £1,177.60 (£1,103.55 in 2017/18). 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
No. of equivalent Band 'D' dwellings	8	2,217	6,179	15,963	11,562	11,907	9,906	4,916	1,117	453

Other precepts added to 2018/19 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £16,477k (£15,836k in 2017/18) and 34 Town and Community Councils who collectively raised precepts totalling £2,847k (£2,711k in 2017/18).

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

	2019 £000	2018 £000
Council tax collected	95,271	89,434
Increase/Decrease in bad debts provision	42	79
Council Tax Reduction Scheme	(10,109)	(9,955)
Amounts written off to provision	(472)	(208)
	<u>84,732</u>	<u>79,350</u>
Less - Payable to North Wales Police and Crime Commissioner	(16,477)	(15,836)
	<u>68,255</u>	<u>63,515</u>

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2018/19 was 51.4p for all properties (49.9p in 2017/18). 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. 2018/19 NDR income paid into the pool was £65,038k after relief and provisions (£56,747k in 2017/18), based on a year end rateable value total of £147,901k (£147,698k in 2017/18).

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

	2019 £000	2018 £000
Non-domestic rates collected	65,154	57,083
Less - Paid into NDR pool	(65,038)	(56,747)
Less - Cost of collection	(339)	(339)
Increase/Decrease in bad debts provision	184	(85)
Relief Schemes	39	88
	<u>0</u>	<u>0</u>
Receipts from pool	49,126	49,688
	<u>49,126</u>	<u>49,688</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. 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 Council to meet future capital and revenue expenditure. The debit adjustment for the year is £29,190k (£27,352k in 2017/18)

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
<b>2018/19</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	18,834	30,572	0	0	(49,406)
Revaluation losses on Property, Plant and Equipment	6,831	0	0	0	(6,831)
Movements in the market value of Investment Properties	(128)	0	0	0	128
Amortisation of intangible assets	32	0	0	0	(32)
Capital grants and contributions applied	0	0	0	(30,580)	30,580
Revenue expenditure funded from capital under statute	4,123	0	0	0	(4,123)
Soft Loan Accounting Adjustments	(16)	0	0	0	16
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,815	70	0	0	(1,885)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(3,522)	(2,544)	0	0	6,066
Capital expenditure charged against the Council Fund and HRA balances	(2,309)	(14,137)	0	0	16,446
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(32,418)	0	0	32,418	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	(2,664)	(146)	2,850	0	(40)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(999)	0	999
<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	(359)	(2)	0	0	361
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	44,099	1,918	0	0	(46,017)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,133)	(1,305)	0	0	25,438
<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	888	2	0	0	(890)
<b>Adjustments involving the Deferred Capital Receipts Account:</b>					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>11,073</b>	<b>14,428</b>	<b>1,851</b>	<b>1,838</b>	<b>(29,190)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
<b>2017/18</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	17,724	35,239	0	0	(52,963)
Revaluation losses on Property, Plant and Equipment	3,135	0	0	0	(3,135)
Movements in the market value of Investment Properties	(152)	0	0	0	152
Amortisation of intangible assets	53	0	0	0	(53)
Capital grants and contributions applied	0	0	0	(16,750)	16,750
Revenue expenditure funded from capital under statute	2,590	0	0	0	(2,590)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,703	162	0	0	(2,865)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(3,125)	(2,337)	0	0	5,462
Capital expenditure charged against the Council Fund and HRA balances	(623)	(12,248)	0	0	12,871
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(17,562)	0	0	17,562	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	(3,332)	(92)	3,424	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
<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	(360)	(2)	0	0	362
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	26,048	1,985	0	0	(28,033)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,527)	(1,288)	0	0	25,815
<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	(875)	0	0	0	875
<b>Adjustments involving the Deferred Capital Receipts Account:</b>					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>1,697</b>	<b>21,419</b>	<b>3,423</b>	<b>813</b>	<b>(27,352)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. 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 Council, 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 Council intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect of sale and change of use. Included are parks and open spaces, recreation grounds, play areas and cemetery land.

#### Movements 2018/19

	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, 2018	299,774	358,542	28,423	9,182	233,533	4,721	7,512	941,687
Additions and Acquisitions	23,134	4,832	2,693	0	9,304	0	22,363	62,326
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,722)	0	(88)	0	0	0	(1,810)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,049)	0	(105)	0	0	0	(9,154)
Assets Derecognised	0	0	(3,554)	0	0	0	0	(3,554)
Reclassifications	(70)	1,262	0	(888)	0	0	0	304
Other movements in cost or valuation	2,700	2,530	20	0	13	0	(5,594)	(331)
At 31st March 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468

#### Accumulated Depreciation and Impairment

As At 1st April, 2018	(92,038)	(45,309)	(13,846)	(247)	(80,071)	0	0	(231,511)
Depreciation charge	(5,065)	(12,404)	(3,334)	(64)	(5,997)	0	0	(26,864)
Depreciation written out to the Revaluation Reserve	0	9,278	0	77	0	0	0	9,355
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,833	0	71	0	0	0	3,904
Impairments written out to the Revaluation Reserve	0	3,150	0	0	0	0	0	3,150
Impairments recognised in the Revaluation Reserve	0	(1,747)	0	(93)	0	0	0	(1,840)
Reversal of Impairments recognised in the Surplus/Deficit	0	4,091	0	0	0	0	0	4,091
Impairments written out to Surplus/Deficit on the Provision of Services	0	1,248	0	0	0	0	0	1,248
Impairments recognised in the Surplus/Deficit on the Provision of Services	(25,264)	(3,220)	0	(692)	0	0	0	(29,176)
Assets Derecognised	0	0	3,554	0	0	0	0	3,554
Assets reclassified (to)/from Held for Sale	0	62	0	(71)	0	0	0	(9)
At 31st March 2019	(122,367)	(41,018)	(13,626)	(1,019)	(86,068)	0	0	(264,098)

Balance Sheet at 31st March 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370
Balance Sheet at 1st April 2018	207,736	313,233	14,577	8,935	153,462	4,721	7,512	710,176

#### Nature of Asset Holding

Owned	203,171	315,377	9,696	7,082	156,782	4,721	24,281	721,110
Finance Lease	0	0	4,260	0	0	0	0	4,260
At 31st March 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2017/18

	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, 2017	267,720	320,985	28,201	9,116	225,505	4,721	3,789	860,038
Additions and Acquisitions	22,192	4,610	2,122	77	8,028	0	13,747	50,776
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	34,300	0	7	0	0	0	34,307
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,094)	0	0	0	0	0	(1,094)
Assets Derecognised	0	(34)	(1,900)	0	0	0	0	(1,934)
Reclassifications	(162)	(225)	0	(19)	0	0	0	(406)
Other movements in cost or valuation	10,024	0	0	0	0	0	(10,024)	0
At 31st March 2018	299,774	358,542	28,423	9,181	233,533	4,721	7,512	941,687
<b>Accumulated Depreciation and Impairment</b>								
As At 1st April, 2017	(56,808)	(49,430)	(12,283)	(108)	(74,273)	0	0	(192,902)
Depreciation charge	(5,076)	(13,213)	(3,463)	(62)	(5,797)	0	0	(27,611)
Depreciation written out to the Revaluation Reserve	0	15,739	0	0	0	0	0	15,739
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,227	0	0	0	0	0	1,227
Impairments written out to the Revaluation Reserve	0	1,890	0	(7)	0	0	0	1,883
Impairments recognised in the Revaluation Reserve	0	(3,246)	0	0	0	0	0	(3,246)
Reversal of Impairments recognised in the Surplus/Deficit	0	5,096	0	7	0	0	0	5,103
Impairments written out to Surplus/Deficit on the Provision of Services	0	(1,953)	0	0	0	0	0	(1,953)
Impairments recognised in the Surplus/Deficit on the Provision of Services	(30,155)	(1,485)	0	(77)	0	0	0	(31,717)
Assets Derecognised	0	34	1,900	0	0	0	0	1,934
Assets reclassified (to)/from Held for Sale	0	32	0	0	0	0	0	32
At 31st March 2018	(92,039)	(45,309)	(13,846)	(247)	(80,070)	0	0	(231,511)
Balance Sheet at 31st March 2018	207,735	313,234	14,577	8,934	153,463	4,721	7,512	710,176
Balance Sheet at 1st April 2017	210,912	271,555	15,918	9,008	151,232	4,721	3,789	667,136
<b>Nature of Asset Holding</b>								
Owned	207,735	313,234	9,963	8,934	153,463	4,721	7,512	705,562
Finance Lease	0	0	4,614	0	0	0	0	4,614
At 31st March 2018	207,735	313,234	14,577	8,934	153,463	4,721	7,512	710,176

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31<sup>st</sup> March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2018/19 Surplus Assets	0	2,884	4,198	<b>7,082</b>
2017/18 Surplus Assets	0	3,261	0	<b>3,261</b>

There were no transfers between different levels of the fair value hierarchy during the year and there has been no change in the valuation techniques used during the year for surplus assets.

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties has been taken into account.

The Council is required to disclose where the highest and best use differs from current use. In line with their treatment as surplus assets, a number of these assets are currently vacant; in these cases the current use is not the highest and best use.

The Council's valuers, in using appropriate valuation techniques, have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

The valuation techniques used to measure the fair value of surplus assets are the market approach and the income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2019 £000	2018 £000
<b>Cost or Valuation</b>		
At 1st April	29,151	28,554
Reclassifications	(2,167)	405
Additions	40	86
Revaluation Increases/Decreases to Surplus/Deficit	51	106
Other Adjustments	0	0
At 31st March	<u>27,075</u>	<u>29,151</u>
<b>Depreciation and Impairments</b>		
At 1st April	86	46
Reclassifications	(9)	0
Reversal of Impairments recognised in the Surplus/Deficit	0	0
Impairment / Depn	(37)	41
At 31st March	<u>40</u>	<u>87</u>
Balance Sheet at 31st March	<u>27,035</u>	<u>29,064</u>

#### Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
<b>2018/19</b>				
Commercial and Industrial Estates	0	0	14,224	<b>14,224</b>
Agricultural Estate - Farms	0	11,640	0	<b>11,640</b>
Agricultural Estate - Grazing Land	0	0	1,171	<b>1,171</b>
<b>Total</b>	<u>0</u>	<u>11,640</u>	<u>15,395</u>	<u>27,035</u>
<b>2017/18</b>				
Commercial and Industrial Estates	0	0	16,912	<b>16,912</b>
Agricultural Estate - Farms	0	0	11,291	<b>11,291</b>
Agricultural Estate - Grazing Land	0	0	861	<b>861</b>
<b>Total</b>	<u>0</u>	<u>0</u>	<u>29,064</u>	<u>29,064</u>

Transfers between different levels of the fair value hierarchy during the year have occurred due to comparable information being available this year for similar assets in active markets or prices for similar assets in markets which are not active.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The fair value of the Council's investment property is measured annually at each reporting date. In 2018/19 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council's valuation team work closely with finance officers regarding all valuation matters.

### **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**

#### **Significant Observable Inputs – Level 2**

The Council's farms and smallholdings were valued by an external independent valuer in accordance with IFRS 13 Fair Value requirements, using the market approach for such assets but reflecting the specific circumstances of each asset e.g. vacant or subject to an existing tenancy. The valuation hierarchy Level 2 was considered appropriate given details of the market comparators were provided as part of the valuation report. The valuation techniques also considered highest and best use reflecting what is physically possible or legally permissible.

#### **Significant Unobservable Inputs – Level 3**

The valuation techniques used to measure the fair value of the grazing and bare land are the market approach and the income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach – use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuers, in using appropriate valuation techniques in the circumstances and where sufficient data is available, have maximized the use of relevant known inputs and minimized the use of unobservable inputs. The grazing and bare land valuation techniques reflected Level 3 input due to the lack of market data obtainable by the Council's valuers.

The valuation techniques used to measure the fair value of the commercial and industrial estates are the income approach (for assets) and the market approach (for vacant land). The Council's valuers considered these bases to be appropriate because:-

- (i) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.
- (ii) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

However, predominately the approach to valuing the commercial and industrial units was done using the Council's own existing information and data reflecting such factors as rent growth, occupancy levels, bad debt levels, and costs for repair and maintenance obligations. Therefore, the Council's commercial and industrial unit's valuation hierarchy is Level 3 as the valuation approach uses unobservable inputs and that this is done on the same basis when valuing the asset as would be used by market participants.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2018</b>	<b>0</b>	<b>800</b>	<b>717</b>	<b>1,517</b>
Additions	0	1	0	1
Assets newly classified as held for sale	70	1,320	1,028	2,418
Assets declassified as held for sale	0	(23)	(531)	(554)
Net Reclassifications	70	1,298	497	1,865
Impairments	0	(216)	(102)	(318)
Revaluation gains	0	58	180	238
Revaluation losses	0	(76)	(114)	(190)
Net Revaluations	0	(234)	(36)	(270)
Assets sold	(70)	(1,337)	(593)	(2,000)
<b>At 31st March 2019</b>	<b>0</b>	<b>528</b>	<b>585</b>	<b>1,113</b>

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2017</b>	<b>0</b>	<b>1,112</b>	<b>3,131</b>	<b>4,243</b>
Additions	0	0	0	0
Assets newly classified as held for sale	162	212	0	374
Assets declassified as held for sale	0	0	(404)	(404)
Net Reclassifications	162	212	(404)	(30)
Impairments	0	0	0	0
Revaluation gains	0	105	82	187
Revaluation losses	0	0	(19)	(19)
Net Revaluations	0	105	63	168
Assets sold	(162)	(629)	(2,073)	(2,864)
<b>At 31st March 2018</b>	<b>0</b>	<b>800</b>	<b>717</b>	<b>1,517</b>

### Fair Value Measurement of Assets Held for Sale

Details of the Council's assets held for sale and information about the fair value hierarchy as at 31 March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2018/19 Assets Held for Sale	0	510	603	<b>1,113</b>
2017/18 Assets Held for Sale	0	0	1,517	<b>1,517</b>

Transfers between different levels of the fair value hierarchy have occurred during the year due to the increased availability of information on comparable assets in active markets or prices for similar assets in markets which are not active.

## NOTES TO THE CORE FINANCIAL STATEMENTS

In estimating the fair value of the Council's assets held for sale, the highest and best use of the properties has been taken into account.

The Council is required to disclose where the highest and best use differs from current use. A number of assets held for sale are currently vacant pending disposal; in these cases the current use is not the highest and best use.

### Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of assets held for sale are the market approach and income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuers, in using appropriate valuation techniques have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

## 11. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at amortised cost:

	2019	2018
	£000	£000
Banks / Building Society Deposits	0	0
North East Wales Homes	2,144	0
Total	<u>2,144</u>	<u>0</u>

## 12. LONG TERM DEBTORS

	2019	2018
	£000	£000
Renewal and improvement loans	2,139	2,134
First time buyer loans	100	100
Assisted car purchase loans	3	11
Affordable housing deposits	98	98
Private street works	45	44
Loan to NEW Homes	5,386	0
Total	<u>7,771</u>	<u>2,387</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. SHORT TERM DEBTORS

	<b>2019</b>	<b>Restated 2018</b>
	<b>£000</b>	<b>£000</b>
Housing Rents	2,136	1,839
Council Tax	2,748	2,700
Grants	15,008	8,276
Benefit Overpayments	2,334	2,457
Taxation	3,312	1,851
NNDR	0	5,235
Lending	92	7,112
Payments in advance	6,516	4,419
Other	11,178	10,440
NHS	3,238	2,790
	<u>46,562</u>	<u>47,119</u>
Allowance for impairment losses and expected credit losses	(2,717)	(2,444)
Total	<u>43,845</u>	<u>44,675</u>

\*The 2017/18 figures have been restated in line with changes to the CIPFA Code of Practice. This has not changed the total figure in the balance sheet.

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1<sup>st</sup> April 2018 and adopted the expected credit loss model it prescribed. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology in calculating impairments of financial assets.

In compliance with the Council's financial management framework, the Council continues to make an impairment allowance outside the scope of the expected credit loss model for non-exchange transactions such as Council Tax debtors, and debtors with government and NHS counterparties.

Analysis of age of Council Tax debt:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
0-1 years	1,503	1,390
1-2 years	537	542
2-3 years	262	285
3-4 years	163	170
4-5 years	83	116
5+ years	200	197
Total	<u>2,748</u>	<u>2,700</u>

### 14. SHORT TERM INVESTMENTS

The balance sheet total is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash. Totals for 2019 were nil as in 2018.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. CASH AND CASH EQUIVALENTS

	2019		2018	
	£000	£000	£000	£000
<b>Current Assets</b>				
Temporary investments (call accounts)		0		0
Cash and cash equivalents	32,002		34,161	
Cash overdrawn	<u>(1,667)</u>		<u>(2,358)</u>	
		30,335		31,803
Total		<u>30,335</u>		<u>31,803</u>

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

	2019	2018
	£000	£000
Accrued interest on long term external borrowing	5,991	5,837
Loans maturing	0	0
Annuity loan repayments	85	0
Invest to Save loan (from Welsh Government)	0	0
Energy Efficiency Loans (from Salix Finance Ltd.)	339	105
Short term external borrowing	44,000	52,100
Accrued interest on short term external borrowing	39	42
Total	<u>50,454</u>	<u>58,084</u>

### 17. CREDITORS

	2019	Restated 2018
	£000	£000
<b>Short Term</b>		
Rents received in advance	347	286
Council Tax received in advance and accounts in credit	1,189	891
Deposits	322	299
Receipts in advance	3,254	2,489
Employee Related	5,451	5,299
NNDR	1,127	0
Other	24,263	21,358
Total	<u>35,953</u>	<u>30,622</u>
<b>Long Term</b>		
Deposits	548	622
Receipts in advance	984	720
Total	<u>1,532</u>	<u>1,342</u>

\*The 2017/18 figures have been restated in line with changes to the CIPFA Code of Practice. This has not changed the total figure in the balance sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. GRANT INCOME

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

	2019 £000	2018 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	140,030	135,345
Total Non Ringfenced Government Grants	<u>140,030</u>	<u>135,345</u>
Welsh Government (WG):		
Major Repairs Allowance	5,065	5,065
General Capital Grant	4,746	2,510
21st Century Schools	7,223	1,739
Local Transport Fund	6,466	2,001
Road Refurbishment Grant	0	1,427
Integrated Care Fund	2,096	0
School Improvement Grant	2,043	0
Other WG Grants	132	1,802
Other Capital Grants and Contributions	<u>1,138</u>	<u>1,561</u>
Total Capital Grants and Contributions	<u>28,909</u>	<u>16,105</u>
<b>Total</b>	<b><u>168,939</u></b>	<b><u>151,450</u></b>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Services</b>		
WG		
Supporting People	5,770	5,809
DELLS Post 16	4,711	4,756
Education Improvement Grant	5,814	6,474
Flying Start	2,893	2,907
Families First	1,557	1,565
Pupil Deprivation	3,716	3,660
Concessionary Fares	1,933	1,853
Single Revenue Grant*	0	2,897
Integrated Care Fund	2,295	1,857
Independent Living Fund**	0	1,591
Childcare Offer Grant***	2,844	755
Other	9,200	8,109
Department of Work and Pensions	33,082	37,052
Arts Council Wales	2,183	2,043
Other Grants and Contributions	3,041	2,908
<b>Total</b>	<b><u>79,039</u></b>	<b><u>84,236</u></b>

\*The Single Revenue Grant was split into separate grants in 2018/19, which are included in the other WG grants figure

\*\*Independent Living Fund transferred into the RSG in 2018/19

\*\*\*Childcare Offer Grant was included in other WG grants in 2017/18

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Grants and Contributions Received in Advance

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

	2019 £000	2018 £000
<b>Short Term</b>		
Revenue Grants	1,206	1,908
Capital Grants	0	0
Capital Contributions	487	319
Revenue Contributions	122	285
<b>Total</b>	<b><u>1,815</u></b>	<b><u>2,512</u></b>
<b>Long Term</b>		
Revenue Grants	0	0
Capital Grants	0	0
Revenue Contributions	451	431
Capital Contributions	551	1,201
<b>Total</b>	<b><u>1,002</u></b>	<b><u>1,632</u></b>

## 19. PROVISIONS

The amounts recognised as provisions are the best estimates of expenditure required to settle present obligations.

	2019 £000	Additions £000	Expenditure Incurred £000	Amounts Reversed £000	Unwinding Discounting £000	2018 £000
<b>Current Liabilities</b>						
Aftercare of former landfill sites	50	0	0	0	1	49
Employee Termination Benefits	22	44	(549)	(33)	0	560
Employee Claims	40	40	0	0	0	0
<b>Total</b>	<b><u>112</u></b>	<b><u>84</u></b>	<b><u>(549)</u></b>	<b><u>(33)</u></b>	<b><u>1</u></b>	<b><u>609</u></b>
<b>Non-Current Liabilities</b>						
Aftercare of former landfill sites	985	1	(30)	0	19	995
Remediation works at former landfill sites	5	0	0	0	0	5
<b>Total</b>	<b><u>990</u></b>	<b><u>1</u></b>	<b><u>(30)</u></b>	<b><u>0</u></b>	<b><u>19</u></b>	<b><u>1,000</u></b>

- The aftercare of former landfill sites provides for the environmental aftercare costs for the former waste disposal sites at Standard and Brookhill, Buckley, split across a current liability and a non-current liability. The projected costs are 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The Council's service Portfolios have business plans which include planned reductions to workforce numbers and costs in order to make recurring revenue savings. The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2018/19 for the termination benefits of employees leaving the Council's employment in 2019/20.
- The employee claims provision will fund the estimated costs of employee claims against the Council.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites across the County will be considered with the condition of each assessed as necessary in due course. The Council has set aside a provision to fund its liabilities for any remediation works deemed necessary on a best estimate basis at the balance sheet date.

### 20. LONG TERM BORROWING

Analysis	Interest Rates		2019	2018
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
Salix Finance (Energy Efficiency)		Interest Free	4,313	3,051
Government (PWLB)	0.89	9.50	248,256	230,810
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	860	860
Total			<u>272,379</u>	<u>253,672</u>
<b>By Maturity</b>				
Between 1 and 2 years			10,580	235
Between 2 and 5 years			9,475	16,429
Between 5 and 10 years			19,769	17,034
More than 10 years			232,555	219,974
Total			<u>272,379</u>	<u>253,672</u>

### 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 Council's usable reserves are detailed in the Movement in Reserves Statement and in note 7.

#### Council Fund

The Council fund balance of £14,020k represents the value of unearmarked reserves available to the Council (£13,697k in 2017/18).

#### Housing Revenue Account

The housing revenue account reserve cumulative balance of £2,221k (£1,918k in 2017/18) includes the 2018/19 HRA surplus of £303k (£276k (surplus) in 2017/18), as detailed on page 68.

#### 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

### Earmarked Reserves

Total earmarked reserves of £13,314k (£14,876k in 2017/18) include:

- Service balances – represents service departments carrying forward unspent funding for use in the subsequent financial year and other relevant specific income / underspends one-off in nature that extend over more than one year for a specific purpose.
- 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 further one-off workforce costs along with the final phases of pay protection arising from implementation of the single status agreement.
- Investment in Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects.
- Budget Strategy - accumulated reserve for use in balancing budgets over the medium term.
- Benefits Equalisation – this reserve was introduced to mitigate against the potential volatility in Housing Benefit Subsidy.
- County Elections – reserve to fund the costs of future elections.
- Supporting people – this reserve was established to mitigate the impact of proposed reductions in grant funding by Welsh Government.
- Local Development Plan – funding for costs associated with finalising, and then implementing, the Local Development Plan.
- Waste Disposal – reserve used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Winter Maintenance – reserve set up as a contingency in the event of severe weather conditions.
- Design Fees - reserve created to mitigate a loss of income from the Capital Programme.
- Insurance Reserves – various Insurance related reserves, including the Council's internal insurance fund, to meet the costs of self-insurance as not all risks are externally insured.
- Flintshire Trainees – reserve to fund the Flintshire Trainee programme.
- Kitchen Refurbishment – reserve to fund kitchen refurbishments at various schools.
- Rent Income Shortfall – reserve created to mitigate loss of income from industrial property rent.
- Schools Kitchen Ventilation – reserve to fund feasibility works considering the need to upgrade kitchen ventilation systems at various schools.
- Customer Service Strategy – to enable the roll out of the Customer Services Strategy. This will include improvements to Connect Centres, improving self-service facilities and investment in new software.
- Capita One – a regional IT system holding management information for schools hosted by Flintshire. Any funds held at the end of the financial year in excess of costs incurred will be spent on delivering the service in future years.
- Public Sector Broadband (PSBA) – to assist in the introduction of Learning in Digital Wales.
- Supervision Fees – this reserve is used for work carried out by the Development Control Team in supervising works on housing developments in connection with the adoption of roads and/or other related work deemed necessary.
- Transportation Review – to fund a review of the way transport services are delivered.
- LMS Curriculum – funding is used for transitional costs relating to school modernisation for schools.



## NOTES TO THE CORE FINANCIAL STATEMENTS

- Restoration of Ewloe Offices – reserve to refurbish the Council owned offices in Ewloe to allow officers to relocate to this building.
- Organisational Change/ADM – to support initial set up costs and financial technical support for contingency against any financial issues arising as a result of implementing different service delivery methods.
- Employment Claims – to fund the estimated costs of employee claims against the Council.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with associated restrictions on use.

Movement between earmarked reserves is summarised in the following table:

	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Service balances	1,611	(969)	873	1,515	(999)	339	855
School balances	1,556	(4,489)	4,218	1,285	(4,935)	4,985	1,335
Single status/equal pay	4,485	(2,970)	106	1,621	(437)	0	1,184
Investment in Organisational Change	938	(399)	900	1,439	(400)	0	1,039
Budget Strategy	2,892	(2,892)	0	0	0	0	0
Benefits equalisation	119	0	199	318	0	0	318
County elections	138	(152)	184	170	(13)	48	205
Supporting people	387	(387)	0	0	0	0	0
Local Development Plan (LDP)	480	(300)	0	180	0	0	180
Building control	122	(108)	41	55	(55)	0	0
Waste disposal	312	(208)	25	129	(46)	0	83
Enterprise Centres	67	0	41	108	(55)	0	53
Design fees	200	0	0	200	0	0	200
Winter maintenance	215	0	0	215	0	35	250
Car Parking	26	0	22	48	(10)	9	47
Insurance Reserves	1,471	(594)	928	1,805	(565)	873	2,113
Cash Receipting Review	79	0	4	83	(83)	1	1
Flintshire Trainees	398	0	78	476	0	65	541
Kitchen Refurbishment	110	(110)	0	0	0	0	0
Rent Income Shortfall	300	(150)	0	150	(80)	0	70
Schools Kitchen Ventilation	200	(200)	0	0	0	0	0
Customer Service Strategy	129	(26)	0	103	(70)	0	33
Capita One	109	(90)	0	19	0	0	19
PSBA	530	(530)	0	0	0	0	0
Supervision Fees	141	(141)	49	49	0	0	49
Transportation Review	170	0	0	170	(86)	0	84
LMS Curriculum	785	(791)	785	779	(873)	477	383
Restoration of Ewloe Offices	0	0	830	830	(830)	0	0
Organisational Change/ADM	0	(145)	300	155	(55)	0	100
Emergency Remediation	0	0	50	50	(50)	0	0
Employment Claims	0	0	0	0	0	150	150
Carbon Reduction	0	0	0	0	(253)	296	43
Property Claims	0	0	0	0	0	45	45
Grants & Contributions	2,555	(617)	986	2,924	(780)	1,790	3,934
<b>Total</b>	<b>20,525</b>	<b>(16,268)</b>	<b>10,619</b>	<b>14,876</b>	<b>(10,675)</b>	<b>9,113</b>	<b>13,314</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. UNUSABLE RESERVES

The balances on unusable reserves are as follows :

Reserves	2019 £000	2018 £000
Revaluation reserve	105,289	103,062
Capital adjustment account	317,944	319,537
Financial instruments adjustment account	(6,091)	(6,452)
Pensions reserve	(407,745)	(348,865)
Deferred Capital Receipt	98	98
Accumulated absences account	(2,666)	(1,776)
<b>Total Unusable Reserves</b>	<u>6,829</u>	<u>65,604</u>

The details of movements on unusable reserves are as follows :

#### Revaluation Reserve

The revaluation reserve contains the gains made by the Council 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.

	2019 £000	2018 £000
Balance at 1st April	103,062	59,697
Upward revaluation of assets	14,866	57,051
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(6,149)</u>	<u>(8,213)</u>
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	8,717	48,838
Difference between fair value depreciation and historical cost depreciation	(6,420)	(5,133)
Accumulated gains on assets sold or scrapped	<u>(70)</u>	<u>(340)</u>
Amount written off to the capital adjustment account	(6,490)	(5,473)
Balance at 31st March	<u>105,289</u>	<u>103,062</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Council 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 Council 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 Council 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.

	2019 £000	2018 £000
Balance at 1st April	(348,865)	(395,050)
Return on plan assets	14,293	10,491
Actuarial gains and (losses)	(52,594)	37,912
Net charges to surplus / deficit on provision of services	(46,016)	(28,033)
Employers' contributions payable to the scheme	25,437	25,815
Balance at 31st March	<u>(407,745)</u>	<u>(348,865)</u>

### 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.

	2019 £000	2018 £000
Balance at 1st April	(6,452)	(6,814)
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>361</u>	<u>361</u>
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	<u>361</u>	<u>361</u>
Balance at 31st March	<u>(6,091)</u>	<u>(6,452)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Council as finance for the costs of acquisition, construction and enhancement.

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

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2019		2018
	£000	£000	£000      £000
Balance at 1st April		319,537	340,435
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	(49,406)		(52,983)
- Revaluation losses on PP&E	(6,831)		(3,135)
- Amortisation of intangible assets	(32)		(53)
- Revenue expenditure funded from capital under statute	(4,123)		(2,590)
- 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	(1,885)		(2,865)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	128		152
- Soft Loan Accounting Adjustments	16		0
	<u>(62,133)</u>		<u>(61,474)</u>
Adjusting amounts written out of the revaluation reserve	<u>6,490</u>		<u>5,472</u>
Net written out amount of the cost of non-current assets consumed in the year		(55,643)	(56,002)
Capital financing applied in the year:			
- Use of the capital receipts reserve	999		0
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	30,580		16,750
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	6,065		5,506
- Capital expenditure charged against the council fund and HRA balances	16,446		12,871
Long term debtors adjustments - Loan Repayments	(40)		(23)
		54,050	35,104
Balance at 31st March		<u>317,944</u>	<u>319,537</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.

	2019 £000	2018 £000
Affordable homes deposits	98	98
	<u>98</u>	<u>98</u>

### 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £22,305k inflow (£15,822k inflow in 2017/18) include the following interest elements:

	2019 £000	2018 £000
Interest received	375	129
Interest paid	(13,474)	(16,325)

### 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2019 £000	2018 £000
Purchase of property, plant & equipment, investment property and intangible assets	(61,849)	(50,861)
Purchase of short term and long term investments	0	0
Other payments for investing activities	(7,536)	(212)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,809	3,423
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	32,418	17,563
<b>Net cash flows from investing activities</b>	<u>(34,158)</u>	<u>(30,087)</u>

### 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2019 £000	2018 £000
Cash receipts of short term and long term borrowing	18,946	44,824
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(541)	(564)
Repayment of short term and long term borrowing	(8,020)	(1,600)
Other payments for financing activities	0	(3,555)
<b>Net cash flows from financing activities</b>	<u>10,385</u>	<u>39,106</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. OFFICERS' REMUNERATION

#### Senior Employee Emoluments

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. The band values do not include employer pension contributions. Columns for schools include all maintained schools including Voluntary Aided and Foundation Schools.

Remuneration Band	2019		2018	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	2	22	3	14
£65,000 - £69,999	1	9	1	9
£70,000 - £74,999	0	7	0	10
£75,000 - £79,999	0	7	0	3
£80,000 - £84,999	0	0	0	1
£85,000 - £89,999	0	0	0	1
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	1	0	1
£100,000 - £104,999	0	1	0	1
	<u>3</u>	<u>48</u>	<u>4</u>	<u>41</u>

Some posts occupied are paid in accordance with nationally agreed Soulbury terms and conditions. Governing Bodies have some discretion in setting the salaries of Head Teachers, within the parameters of the School Teacher's pay and conditions 2015.

The Accounts and Audit (Wales) Regulations 2014 also 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.

The salaries of the Chief Executive and the Chief Officer team have been set by full Council in accordance with the Council's Pay Policy Statement (available on the Council's website). There has been no variation to pay rates during the year other than inflationary increases for implementation of nationally agreed annual pay awards to reflect the increased cost of living. No bonuses, taxable expense allowances, compensation payments or other taxable benefits were received by Chief Officers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Post Title	Note	2018/19		2017/18	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1	136,548	37,278	133,870	36,011
Chief Officer Governance	1	94,458	25,787	92,605	24,911
Chief Officer Education & Youth	2	87,028	23,759	78,011	20,985
Chief Officer Social Services		94,458	25,787	92,605	24,911
Chief Officer Community & Enterprise	3	3,859	1,053	92,605	24,911
Chief Officer Planning, Environment & Economy	4	94,458	25,787	92,605	24,911
Chief Officer Streetscene & Transportation		94,458	25,787	92,605	24,911
Chief Officer Housing & Assets	5	94,458	25,787	92,605	24,911
Chief Officer Strategic Programmes	6	37,400	10,606	92,605	24,911
Corporate Finance Manager (Section 151 Officer)		68,357	18,661	69,100	18,512
Senior Manager (HR & OD)		65,781	17,958	64,491	17,348
		<u>871,263</u>	<u>238,250</u>	<u>993,707</u>	<u>267,233</u>

On 20th March 2018 Cabinet approved a revision of the Corporate Operating Model. The Chief Officer Team has been reduced and revised as a result of this.

**Note 1 :** Remuneration does not include any amounts received for;

a) Returning Officer and Deputy Returning Officer roles at elections (costs for national, regional, local elections and referenda reimbursed by respective Government based on a nationally set payment formula) and;

b) Clerk and Deputy Clerk roles to the North Wales Fire and Rescue Authority (costs reimbursed).

**Note 2 :** New appointment to Interim Chief Officer role-start date 26th June 2017. Appointed on a permanent basis 18th July 2018.

**Note 3 :** Employment end date 15th April 2018. Post now removed from structure.

**Note 4:** Job title in 2017/18 Chief Officer Planning & Environment

**Note 5:** Job title in 2017/18 Chief Officer Organisational Change 2

**Note 6:** Employment end date 29th August 2018. Post now removed from structure. Job title in 2017/18 Chief Officer Organisational Change 1

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 (£18,672); for 18/19 this was 1:7.31 (for 2017/18 this was 1:7.53).

### Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the number of exit packages agreed and the cost of the packages to the Council in the financial year. Exit costs arising in 2018/19 which the Council is committed to incurring at the 31<sup>st</sup> March 2019, but paid after this date, are also included in the disclosure. Information is included for all maintained schools including Voluntary Aided and Foundation Schools.

The totals disclosed are made up of redundancy payments made to the individual and any payments made by the Council to the pension fund when an employee retires early without actuarial reduction in pension in accordance with the Council's Discretionary Compensation Policy. The costs of which have been met from an earmarked reserve set up specifically to fund the costs of organisational change.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	13	65	2	4	15	69	115,881	475,116
£20,001 - £40,000	5	25	0	2	5	27	139,192	758,816
£40,001 - £60,000	4	8	0	0	4	8	209,305	355,465
£60,001 - £80,000	3	1	0	2	3	3	209,790	233,609
£80,001 - £100,000	0	3	0	1	0	4	0	357,855
£100,001 - £150,000	0	1	0	1	0	2	0	238,877
	<u>25</u>	<u>103</u>	<u>2</u>	<u>10</u>	<u>27</u>	<u>113</u>	<u>674,168</u>	<u>2,419,738</u>

### 27. MEMBERS' ALLOWANCES

Allowances totaling £1,458k were paid directly to members of the Council, and on their behalf in 2018/19 (£1,417k in 2017/18)

	2019 £000	2018 £000
Basic allowance	952	932
Special responsibility allowance	247	244
Employer's national insurance	84	83
Employer's superannuation	149	126
Members' expenses	26	32
	<u>1,458</u>	<u>1,417</u>

Expenses include costs of travel, subsistence, telephones and refreshments.

The allowances paid fall into the following bands :-

Allowance Band	2019 Number of Members	2018 Number of Members
£0 - £9,999	0	2
£10,000 - £14,999	27	26
£15,000 - £19,999	23	25
£20,000 - £24,999	7	5
£25,000 - £29,999	1	3
£30,000 - £34,999	7	6
£35,000 - £39,999	1	2
£40,000 - £44,999	2	1
£45,000 - £49,999	1	0
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	1	1
	<u>70</u>	<u>71</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. 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 Council.

#### 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 notes 6 and 18.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances paid in 2018/19 is shown in note 27.

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 2018/19 are as follows:

• Payments	£4,543k	(£4,586k in 2017/18)
• Receipts	£18k	(£31k in 2017/18)
• Amounts owed by the Council	£89k	(£74k in 2017/18)
• Amounts owed to the Council	£35k	(£26k in 2017/18)

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 2018/19 and amounts outstanding at 31<sup>st</sup> March are as follows:

• Payments	£264k	(£219k in 2017/18)
• Receipts	£25k	(£18k in 2017/18)
• Amounts owed by the Council	£9k	(£44k in 2017/18)
• Amounts owed to the Council	£4k	(£1k in 2017/18)

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 on the Council's website. 2017/18 figures have been restated to include figures from the register not included on the related parties transactions declaration forms completed by Members.

#### 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 2018/19 are as follows:

• Payments	£372k	(£373k in 2017/18)
• Amounts owed to the Council	£0k	(£4k in 2017/18)

#### Community Asset Transfer (CAT)

A number of Members and Senior Officers have an interest in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's Balance Sheet and have a combined net book value of £8,821k (£9,828k in 2017/18).

## NOTES TO THE CORE FINANCIAL STATEMENTS

In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2018/19 are:

• Grants awarded	£212k	(£352k in 2017/18)
• Grants paid in advance	£0k	(£33k in 2017/18)
• Payments	£37k	(£48k in 2017/18)
• Amounts owed by the Council	£1k	(£7k in 2017/18)
• Receipts	£0k	(£2k in 2017/18)
• Amounts owed to the Council	£12k	(£0k in 2017/18)

### Associated Companies

The Council has three wholly owned subsidiaries, North East Wales Homes Ltd, Newydd Catering and Cleaning Ltd, and Theatr Clwyd Productions Ltd. These are companies limited by shares and are included in the Council's group accounting boundary. North East Wales Homes has a loan facility with the Council, and as at 31st March 2019 this amounted to £7,530k.

Other transaction with associated companies during 2018/19 are:

• Payments	£9,080k	(£8,241k in 2017/18)
• Receipts	£1,677k	(£432k in 2017/18)
• Amounts owed by the Council	£273k	(£332k in 2017/18)
• Amounts owed to the Council	£394k	(£2,111k in 2017/18)

### 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 can be found within the Clwyd Pension Fund accounts which are available at [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk)

#### 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 42.

#### 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 paid to the Office of the North Wales Police and Crime Commissioner amounted to £16,477k (£15,836k in 2017/18). Other transactions with North Wales Police and Crime Commissioner during 2018/19 are:

• Payments	£11k	(£24k in 2017/18)
• Receipts	£115k	(£83k in 2017/18)
• Amounts owed by the Council	£0k	(£5k in 2017/18)
• Amounts owed to the Council	£52k	(£26k in 2017/18)

Total levies paid to the North Wales Fire and Rescue Authority amounted to £7,409k (£7,340k in 2017/18).

Other transactions with North Wales Fire Authority during 2018/19 are:

• Payments	£14k	(£15k in 2017/18)
• Receipts	£23k	(£15k in 2017/18)

#### Community / Town Councils

Total precepts including cemetery precepts paid to the 34 Community/Town councils amounted to £2,856k (£2,719k in 2017/18). Other transactions with Community Councils during 2018/19 are:

• Payments	£266k	(£114k in 2017/18)
• Receipts	£364k	(£360k in 2017/18)
• Amounts owed by the Council	£10k	(£15k in 2017/18)
• Amounts owed to the Council	£81k	(£63k in 2017/18)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Transactions with the following bodies during 2018/19 were as follows:

### Betsi Cadwaladr University Local Health Board (related healthcare activities):

• Payments	£1,210k	(£1,926k in 2017/18)
• Receipts	£4,862k	(£7,377k in 2017/18)
• Amounts owed by the Council	£1,045k	(£295k in 2017/18)
• Amounts owed to the Council	£5,746k	(£3,604k in 2017/18)

### Welsh Joint Education Committee:

• Payments	£130k	(£206k in 2017/18)
• Amounts owed by the Council	£177k	(£437k in 2017/18)

### Welsh Local Government Association:

• Payments	£103k	(£100k in 2017/18)
• Receipts	£122k	(£7k in 2017/18)

## 29. AUDIT FEES

Total audit and inspection fees due during the year amounted to £373k (£370k in 2017/18). External audit services were provided by Wales Audit Office.

	2019 £000	2018 £000
Fees for the Statement of Accounts	207	207
Fees for the Local Government Measure	100	100
Fees for grants	66	63
	<u>373</u>	<u>370</u>

## 30. 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	2019 £000	2018 £000
Gross expenditure	1,076	996
Gross income	<u>(1,168)</u>	<u>(1,128)</u>
(Surplus) / deficit for year	<u>(92)</u>	<u>(132)</u>
<b>Contribution to Budget</b>		
Flintshire County Council	295	291

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	492	50.25
Wrexham County Borough Council	503	487	49.75
	<u>1,011</u>	<u>979</u>	<u>100.00</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. 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 £2,339k (£3,103k in 2017/18).

Welsh Government has provided funding to Welsh Councils to provide recyclable loans under the Houses into Homes Schemes for the repair of properties which have been long term vacant, with the aim of bringing them back into use. They are treated as agency arrangements in the Council's Statement of Accounts. Flintshire County Council was previously the lead/banker authority for the North Wales region and responsible for administering the first tranche of funding given in perpetuity to Council's. Funds have since been disaggregated to the other 5 North Wales Councils. The Council issued £135k of loans (£168k in 2017/18) with £214k being repaid (£125k in 2017/18). The second tranche of funding was paid directly to all Councils, it has to be returned in 12 years' time and to date no loans have been issued.

Welsh Government has also provided funding called Home Improvement Loans for works in making residential properties safe, warm and/or secure, again with the funding to be returned in 12 years' time. £118k has been granted in loans in year (£109k in 2017/18).

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant is used to support bus and community transport services in the region. The total received in 2018/19 was £6,793k, of which £602k was Flintshire's share and is included in Flintshire's accounts (£7,692k in 2017/18, £745k in Flintshire's accounts). The Childcare Offer Grant is used to provide free childcare for working parents of 3-4 year olds. Flintshire administers this grant on behalf of Wrexham and Denbighshire. The total received in 2018/19 was £4,087k, of which £2,844k is Flintshire's share and is included in Flintshire's accounts, this is the first year of this arrangement.

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings. In 2018/19 £3,527k was collected (£3,495k 2017/18). The Council also acts as agents in arranging and collecting household contents insurance for tenants' belongings on their behalf if they wish. In 2018/19 £96k was collected (£99k in 2017/18). The Council also collects heating charges from tenants living in Council owned communal buildings, and in 2018/19 £148k was collected (£139k in 2017/18).

### 32. OTHER FUNDS ADMINISTERED BY THE COUNCIL

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 2019 was £29k (£45k in 2017/18) and is not included in the balance sheet.

Flintshire County Council was lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham until 29<sup>th</sup> March 2018, when the funds held by Flintshire County Council (£537k) and the administration of the Fund were transferred to the Community Foundation in Wales. During 2018/19 the final amount of £13k still held by Flintshire County Council was also transferred over.

In the Social Services portfolio the Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to manage their own financial affairs; 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 2019 was £4,696k in 371 separate accounts (£4,417k in 423 accounts in 2017/18).

## NOTES TO THE CORE FINANCIAL STATEMENT

### 33. CONTINGENT LIABILITIES

In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, 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.

The Council recognises that any future payments made by MMI will be made at the reduced rate of 75% and has created an earmarked reserve to fund the 25% 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.

Flintshire is the legislative successor body in respect of all abuse claims relating to the former Clwyd County Council. A number of claims continue to be brought by former children in care. In some cases the Council's insurers were not on cover and so the Council may need to fund any such claim that is successful.

A small number of employees and former employees are claiming against the Council in Employment Tribunals which will be heard in the next financial year. Based on the outcomes of the cases the Council could have to pay all, some or none of the claims.

The Council has set up various alternative service delivery models which has involved the transfer of Council employees to the new service providers. The Council has given pension guarantees to Newydd Catering and Cleaning Ltd, Aura Leisure and Libraries Ltd and Holywell Leisure Centre. These guarantees mean that if these bodies are unable to meet their pension obligations at a future point in time then the Council will assume responsibility for them.

A small number of Council tenants are claiming against the Council for housing disrepair. Based on the outcome of the cases the Council could have to pay all, some or none of the claims.

A claim is being brought by the owner of a property where the Council was a former tenant. The case will be heard by an independent arbitrator in the next financial year and as a result the Council may have to pay all, some or none of the claim.

### 34. CONTINGENT ASSETS

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 is 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.

### 35. 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.

## NOTES TO THE CORE FINANCIAL STATEMENT

The significant accounting estimates within the Statement of Accounts relate to non-current assets and the impairment of financial assets. 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 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.
- **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.
- **Investment Properties** – The Council classifies investment properties in accordance with the requirements of the Code of Practice, that being assets are held solely for rental income or capital appreciation. Assessment of such properties involves exercising judgement, which could be subject to a difference in interpretation.
- **Asset Valuations** – The Council values its Housing Stock by estimating the 'Existing Use Value – Social Housing'. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach). There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgments particular to local circumstances.

The approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to reflect the asset's use for social housing with a sitting tenant. The underlying principles of this approach are:

- A representative asset is normally used as the basis for valuing a set of similar assets.
  - The asset's Fair Value (market value) is determined from sales evidence relating to comparable properties. This provides a 'vacant possession' value.
  - The market value is adjusted by a factor to reflect the difference between private sector rents / yields and social housing rents / yields. This is intended to reflect the differential cash flows that would arise between the two types of landlord given that there is a sitting tenant in the property and that any development value is to be ignored as continuation of the existing use is assumed.
- **Accounting for arrangements containing a lease (embedded leases)** – During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). The Council has reviewed the appropriate accounting guidance, sought professional advice, and concluded that this arrangement contains embedded operating leases.
  - **Community Asset Transfers (CATs)** - involve leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The lease agreements have been considered; whilst operational risk and reward transfers to the community group, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Leisure and Libraries Property Leases - involve leasehold transfer of specific Council assets to a charitable, not-for-profit, organisation which is responsible for managing the majority of leisure centres and libraries previously operated directly by the Council. The lease agreements have been considered; whilst operational risk and reward transfers to the charitable organisation, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet. The classification of the assets have also remained consistent with prior years' treatment. They are recognised as operational Property, Plant and Equipment, which aligns with the classification most suitable to the use of the assets when compared to other definitions of assets such as surplus or investment assets.

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

- 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. Further detail assessing the sensitivities of estimates can be found in Note 42.
- Impairment of Financial Assets** – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt. A reasonable estimate of impairment for doubtful debts and expected credit losses is provided for within the Council's accounts at the Balance Sheet date, however in the current economic climate it is not certain that such an allowance would be sufficient.
- 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.
- Valuation techniques** are used to determine the fair value of surplus assets, assets held for sale and investment properties. This involves developing estimates and assumptions consistent with how market participants would value such assets. As far as possible, assumptions are based on observable data. If observable data is not available the best information available is used. Thus, estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.
- Britain leaving the European Union** – there is a high level of uncertainty regarding how Britain will leave the European Union and the resulting implications. A range of possible scenarios are being considered by Parliament which have the potential to affect asset valuations and the pension liability on the Council's Balance Sheet. Currently there is not sufficient information to indicate that the assets of the Council might be impaired or that the discount rate used to calculate the pension liability might need amending.

### 36. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council 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 2018/19 were as follows:-

	2019 £000	2018 £000
Total minimum revenue provision	6,066	5,505
Recharge to housing revenue account	<u>(2,544)</u>	<u>(2,337)</u>
	<u>3,522</u>	<u>3,168</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. 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 Council, the expenditure results in an increase in the capital financing requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2019 £000	2018 £000
<b>Capital Investment</b>		
Property, plant and equipment	62,367	50,860
Intangible assets	0	0
REFCUS	4,262	6,521
	<u>66,629</u>	<u>57,381</u>
<b>Sources of Finance</b>		
Capital receipts	(999)	0
Capital grants and contributions	(30,579)	(16,750)
Capital reserves / CERA	(16,446)	(12,871)
	<u>(48,024)</u>	<u>(29,621)</u>
<b>Increase/(decrease) in capital financing requirement</b>	<u>18,605</u>	<u>27,760</u>
Increase in supported borrowing	4,051	4,124
Increase in other (unsupported) borrowing	14,554	23,636
	<u>18,605</u>	<u>27,760</u>

### 38. FUTURE CAPITAL COMMITMENTS

As at 31<sup>st</sup> March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	Contract Sum £000	Payments to 31/03/19 £000	Balance Outstanding £000
<b>Council Fund</b>			
Deeside Industrial Park Transport Improvements	3,058	1,138	1,920
Connah's Quay High School	16,546	13,044	3,502
Penyffordd CP School	6,910	4,812	2,098
	<u>26,514</u>	<u>18,994</u>	<u>7,520</u>
<b>Housing Revenue Account</b>			
SHARP			
- The Walks, Flint	3,931	3,662	269
- The Dairy Site, Connahs Quay	1,099	1,082	17
- Ysgol Glanarafon, Mold	2,239	2,205	34
- Melrose Centre, Shotton	1,364	1,320	44
- Llys Dewi, Penyffordd	3,465	2,028	1,437
- Dobshill, Hawarden	2,092	145	1,947
	<u>14,190</u>	<u>10,442</u>	<u>3,748</u>
<b>Total</b>	<u>40,703</u>	<u>29,436</u>	<u>11,269</u>

Further to the commitments listed in the table above, the Council has the strategic aim of meeting the Welsh Government target for all social housing to be brought up to the Welsh Housing Quality Standard (WHQS) by 2020. The Council's in-year programmed WHQS work schemes in line with the Housing Asset Management Strategy have been tendered and have agreed price schedules with contractors. The Council is under no commitment to refurbish any number of houses contractually.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. 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	2019 £000	2018 £000
Vehicles, plant and equipment	<u>4,260</u>	<u>4,614</u>

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 £555k is due to be paid during the next 12 months (£541k equivalent for the previous financial year).

	2019 £000	Repaid £000	New £000	2018 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	555	24	38	541
Non-current	<u>4,479</u>	<u>517</u>	<u>150</u>	<u>4,846</u>
	5,034	541	188	5,387
Finance costs payable in future years	<u>1,920</u>	<u>465</u>	<u>20</u>	<u>2,365</u>
Minimum lease payments	<u>6,954</u>	<u>1,006</u>	<u>208</u>	<u>7,752</u>

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

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

Finance costs - the interest element of the minimum lease payments

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2019 £000	2018 £000	2019 £000	2018 £000
Not later than one year	978	1,006	555	541
Later than one year and not later than five years	4,362	4,313	3,005	2,718
Later than five years	<u>1,614</u>	<u>2,433</u>	<u>1,474</u>	<u>2,128</u>
	<u>6,954</u>	<u>7,752</u>	<u>5,034</u>	<u>5,387</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Operating Leases

In 2018/19, operating lease rentals paid amounted to £3,291k (£3,282k in 2017/18).

Asset Classification	2019 £000	2018 £000
Land	79	45
Buildings	162	144
EFS Fleet Contract	2,842	2,764
Vehicles, plant and equipment	208	329
	<u>3,291</u>	<u>3,282</u>

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

	Land £000	Buildings £000	EFS Fleet Contract £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	42	167	3,036	5	3,250
Later than one year and not later than five years	168	361	10,627	0	11,156
Later than five years *	1,319	1,090	0	0	2,409
	<u>1,529</u>	<u>1,618</u>	<u>13,663</u>	<u>5</u>	<u>16,815</u>

\* Any open ended agreements are calculated to 2031/32 in line with the general average life of the longest leases

During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). This arrangement is considered to contain embedded leases, therefore payments to EFS are included in the figures above. It is not considered practical to split the payments into lease elements and non-lease elements, therefore the total payments are shown. The figures are adjusted to reflect the fact under this arrangement EFS are reimbursing the Council for existing vehicle leases until their expiry.

### Lessor Rentals

#### Operating Leases

The Council leases out property under operating leases largely for economic development purposes. In 2018/19, lease rentals receivable amounted to £2,016k (£2,829k in 2017/18).

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

	Land £000	Buildings £000	Total £000
Not later than one year	89	1,898	1,987
Later than one year and not later than five years	225	5,847	6,072
Later than five years *	543	8,021	8,564
	<u>857</u>	<u>15,766</u>	<u>16,623</u>

\* Any open ended agreements are calculated to 2031/32 in line with the general average life of the longest leases

### Finance Leases

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 2019 or later periods and will require changes to accounting policies in next year's accounts, but the Council has chosen not to adopt them early.

- Amendments to IAS 40 Investment Property - provides further explanation of the instances in which a property can be reclassified as investment property.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering goods or services.
- IFRIC 23 Uncertainty over Income Tax Treatments - provides additional guidance on income tax treatment where there is uncertainty.
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation - amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.
- IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

These changes are not expected to have a material impact on the Council's financial statements.

### 41. FINANCIAL INSTRUMENTS

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

Short term Creditors (note 17) includes a further £11,690k (2017/18 £9,264k) that does not meet the definition required for inclusion as a Financial Instrument. No long term Creditors meet the definition required for inclusion as a Financial Instrument.

Short term Debtors (note 13) includes a further £29,544k (2017/18 £23,304k) that does not meet the definition required for inclusion as a Financial Instrument.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-Term		Current	
	2019	2018	2019	2018
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	272,379	253,672	44,424	52,205
Accrued Interest	0	0	6,030	5,879
Borrowing	<u>272,379</u>	<u>253,672</u>	<u>50,454</u>	<u>58,084</u>
Cash overdrawn	0	0	1,667	2,358
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>1,667</u>	<u>2,358</u>
Finance Leases	4,479	4,846	555	541
Deferred Liabilities	<u>4,479</u>	<u>4,846</u>	<u>555</u>	<u>541</u>
Landfill Aftercare costs	990	1,000	50	49
Employee Related	0	0	62	560
Provisions	<u>990</u>	<u>1,000</u>	<u>112</u>	<u>609</u>
Trade Payables*	0	0	24,263	21,358
Within Creditors	<u>0</u>	<u>0</u>	<u>24,263</u>	<u>21,358</u>
<b>Total financial liabilities</b>	<u>277,848</u>	<u>259,518</u>	<u>77,051</u>	<u>82,950</u>
Financial assets at amortised cost				
Principal	2,144	0	0	0
Accrued Interest	0	0	0	0
Investments	<u>2,144</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash & Cash Equivalents	0	0	31,906	34,154
Accrued Interest	0	0	96	7
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>32,002</u>	<u>34,161</u>
Trade Receivables*	45	44	14,301	21,371
Loans	7,726	2,343	0	0
Within Debtors	<u>7,771</u>	<u>2,387</u>	<u>14,301</u>	<u>21,371</u>
<b>Total financial assets</b>	<u>9,915</u>	<u>2,387</u>	<u>46,303</u>	<u>55,532</u>

\* Creditors and Debtors notes have been reviewed during the year in accordance with the Code of Practice, 2017/18 figures restated as a result.

Within the Cash and Cash Equivalent line on the Balance Sheet financial assets and liabilities are offset:-

	2019	2018
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	32,002	34,161
Financial Liabilities - Cash Overdraft	(1,667)	(2,358)
Net Position reported on Balance Sheet	<u>30,335</u>	<u>31,803</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Material Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The 45 year annuity loan to NEW Homes to build affordable homes for rent in Flint is deemed to be a material soft loan. Movements in material soft loan balances during the year are:

	2019 £000	2018 £000
Opening carrying amount of soft loans	0	0
New loans made in year	7,530	0
Fair value adjustment on initial recognition	(2,144)	0
Interest Accrued	75	0
Amounts Repaid	0	0
Movement in discounted amount	16	0
	5,477	0

Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market interest rate has been derived using the European Commission's State Aid guidance.

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

	2019			2018		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Measured at Amortised Cost			Measured at Amortised Cost		
	£000	£000	Total £000	£000	£000	Total £000
Interest expense	(13,475)	0	(13,475)	(13,189)	0	(13,189)
<b>Interest payable and similar charges</b>	(13,475)	0	(13,475)	(13,189)	0	(13,189)
Interest income	0	375	375	0	129	129
<b>Interest and investment income</b>	0	375	375	0	129	129
Net gain/(loss) for the year	(13,475)	375		(13,189)	129	

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

Financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Fair values of financial liabilities in the table below have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are calculated as follows, the fair value hierarchy is explained within the Council's Accounting Policies

	Fair Value Level	2019		2018	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>					
PWLB	2	248,341	356,556	230,810	337,993
LOBOs	2	18,950	27,350	18,950	27,383
Lease payables	3	5,034	4,683	5,387	4,873
		<u>272,325</u>	<u>388,589</u>	<u>255,147</u>	<u>370,249</u>

There has been no change in the valuation techniques used during the year for the financial instruments.

The PWLB fair value is higher than the carrying amount because the Council'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 Council 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.

The Council is in receipt of Loans from the Salix Energy Efficiency scheme delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council does not account for these loans as soft loans because the fair value adjustment is not material. This approach has also been taken for loans for Vibrant and Viable Places loans.

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

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council'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 Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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 Statement and Strategy. 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 2019, 4.02% 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 £100m 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 20% of debt to reach maturity in any one year.
- 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 £100m 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 £290k.

### **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 £4m 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government			£ Unlimited 50 years		
AAA	£2m 5 years	£3m 5 years	£2m 25 years	£2m 5 years	£2m 10 years
AA+					
AA	£2m 4 years	£3m 4 years	£2m 15 years	£2m 4 years	
AA-	£2m 3 years	£3m 3 years	£2m 10 years	£2m 3 years	
A+	£2m 2 years	£3m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
A	£2m 1 year	£3m 1 year		£2m 1 year	
A-	£2m 6 months	£3m 6 months		£2m 6 months	
Pooled Funds	£3m per fund				
BBB-	The Council is restricted to overnight deposits in its' own current account bank with a limit of £2m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities	£3m 2 Years				

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £312k. If rates fell by 1%, there would be a loss of income for the same amount.

### 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.

### Loans to Subsidiaries -

The Council has committed to provide new affordable homes throughout the County to address the identified housing shortage. A loan has been granted to NEW Homes to build affordable homes for rent in Flint at below market rates of interest. The loan will be repaid from rents. The Council wholly owns NEW Homes and exerts a high level of control over its activities with Cabinet required to approve its 30 year business plan each year. All property assets owned by NEW Homes are provided as security against the loan, at the balance sheet date the value of assets was higher than the value of the loan. All of which serves to mitigate the credit risk posed by NEW Homes failing to meet its obligations to repay the loan.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Transition to IFRS 9

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main impact of adopting the new standard is to reclassify financial assets to a category called amortised cost which were previously called loans and receivables. The values included on the Balance Sheet and within the Comprehensive Income and Expenditure Note have not changed as a result.

The Council has adopted the expected credit loss model prescribed by IFRS 9. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology of calculating impairments of financial assets.

## 42. 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 2018/19 the Council paid £8,356k (£8,337k in 2017/18), which represents 16.48% (average) of teachers' pensionable pay (16.48% in 2017/18). The contributions due in 2019/20 are estimated to be £8,145k, 16.54% 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 the award of discretionary post-retirement benefits on early retirements (also known as added years) it has awarded, together with the related increases, outside of the terms of the teachers' scheme. These are accounted for on a defined benefit basis as detailed in the following section.

### Pensions - Other Employees

As part of their terms and conditions of employment of its officers the Council makes contributions towards the costs of post-employment benefits. 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.

Discretionary post-retirement benefits awarded on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when payments are made. There are no plan assets built up to meet these pension liabilities.

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 Committee. 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 and the Clwyd Pension Fund Annual Report are 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	25,330	26,602	0	0
Past service cost/(gain)	10,650	1	0	0
Curtailments/settlements	510	(8,712)	0	0
<b>Other Operating Expenditure -</b>				
Administration expenses	917	894	0	0
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	7,384	7,999	1,225	1,249
<b>Net charge to surplus / deficit on the provision of services -</b>	<b>44,791</b>	<b>26,784</b>	<b>1,225</b>	<b>1,249</b>
<b>Other Comprehensive Income and Expenditure</b>				
<b>Remeasurement of the net defined benefit liability -</b>				
Return on plan assets	14,293	10,491	0	0
Actuarial gains and (losses) - financial assumptions	(50,849)	36,849	(1,745)	1,063
<b>Net charge to other comprehensive income and expenditure -</b>	<b>(36,556)</b>	<b>47,340</b>	<b>(1,745)</b>	<b>1,063</b>
<b>Net charge to Comprehensive Income and Expenditure -</b>	<b>8,235</b>	<b>74,124</b>	<b>(520)</b>	<b>2,312</b>
<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	(44,791)	(26,784)	(1,225)	(1,249)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme	22,346	22,673	3,091	3,142
<b>Net debit/(credit) to the movement in reserves statement</b>	<b>(22,445)</b>	<b>(4,111)</b>	<b>1,866</b>	<b>1,893</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019	2018	2019	2018
	£000	£000	£000	£000
Present value of liabilities	(978,105)	(891,294)	(48,499)	(48,620)
Fair value of assets	618,862	591,049	0	0
Surplus/deficit in the scheme	<u>(359,243)</u>	<u>(300,245)</u>	<u>(48,499)</u>	<u>(48,620)</u>

The liabilities total reflects the underlying long-term commitments that the Council has in respect of retirement benefits due. The net liability of £407,745k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019	2018	2019	2018
	£000	£000	£000	£000
1st April	891,294	930,122	48,620	51,576
Current service cost	25,330	26,602	0	0
Interest cost	22,867	22,435	1,225	1,249
Contributions by scheme participants	4,897	4,806	0	0
Actuarial (gains) and losses - Financial assumptions	50,849	(36,849)	1,745	(1,063)
Benefits paid	(28,289)	(27,106)	(3,091)	(3,142)
Past service costs	10,650	1	0	0
Curtailments/settlements	510	(28,717)	0	0
31st March	<u>978,108</u>	<u>891,294</u>	<u>48,499</u>	<u>48,620</u>

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

	2019	2018
	£000	£000
1st April	591,049	586,648
Interest income	15,483	14,436
Administration Expenses	(917)	(894)
Return on plan assets	14,293	10,491
Employer contributions	22,346	22,673
Contributions by scheme participants	4,897	4,806
Benefits paid	(28,289)	(27,106)
Settlements	0	(20,005)
31st March	<u>618,862</u>	<u>591,049</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2019		2018	
	£000	£000	£000	£000
Equity investments:				
Global Quoted*	49,509		48,466	
Emerging Markets*	<u>38,369</u>		<u>41,373</u>	
		87,878		89,839
Bonds:				
Overseas Other	68,694		67,380	
LDI*	<u>141,101</u>		<u>133,577</u>	
		209,795		200,957
Property:				
UK*	34,037		30,143	
Overseas	<u>6,807</u>		<u>7,684</u>	
		40,844		37,827
Cash:				
Cash Accounts*	<u>1,238</u>		<u>7,093</u>	
		1,238		7,093
Alternatives:				
Hedge Funds	46,415		49,648	
Private Equity	71,169		60,878	
Infrastructure	22,279		13,594	
Timber & Agriculture	7,426		8,275	
Private Credit	10,521		4,728	
DGF	<u>121,297</u>		<u>118,210</u>	
		279,107		255,333
		<u>618,862</u>		<u>591,049</u>

\* 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 minimise these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

### 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 2016. The significant assumptions used by the actuary are:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019	2018	2019	2018
<b>Mortality Assumptions</b>				
Longevity at 65 for current pensioners -				
Men	23.2yrs	23.1yrs	23.2yrs	23.1yrs
Women	25.7yrs	25.6yrs	25.7yrs	25.6yrs
Longevity at 65 for future pensioners -				
Men	25.9yrs	25.7yrs	n/a	n/a
Women	28.4yrs	28.3yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.2%	2.1%	2.3%	2.1%
Rate of increase in salaries	3.5%	3.4%	n/a	n/a
Rate of increase in pensions	2.3%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	2.6%	2.4%	2.6%

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)	(20,441)	20,441
Rate of inflation (increase / decrease by 0.1%)	(18,457)	18,457
Rate of increase in salaries (increase / decrease by 0.1%)	(2,747)	2,747
Discount Rate (increase / decrease by 0.1%)	18,130	(18,130)

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 2016, which showed a shortfall of assets against liabilities of £437 million as at that date; equivalent to a funding level of 76%. The scheme's employers are paying additional contributions over a period of up to 15 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 2020 is £23.75m.

The duration of the defined benefit obligation for LGPS members is 18 years 2018/19 (18 years 2017/18).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Impact of 'McCloud' Judgement

A judgement in the Court of Appeal relating to Fire and Judiciary pension schemes has ruled that transitional protections offered to older members of the schemes, when they were reformed in 2015, constituted unlawful age discrimination. The judgements are commonly referred to as the McCloud Judgement. Whilst the judgements were only in relation to Fire and Judiciary pension schemes, all the main Public Service Schemes implemented some form of transitional protections. This included the LGPS in 2014, which increased levels of transitional protections to older scheme members in changing from a final salary to a career average pension scheme, which are now ruled unlawful by the McCloud judgement. The Supreme Court denied the Government's application for leave to appeal the decision.

The Government Actuary's Department estimates the impact to be 3.2% of a pension scheme's active liabilities assuming salary growth of CPI plus 1.5%. The potential impact on the Council has been estimated at £10,649k, as shown above in the Comprehensive Income and Expenditure Statements as a past service cost which increases the Council's pension liability by the same amount. Higher future employer contributions are expected as a result and it is anticipated that it will take some time to resolve the matter.

### 43. PRIOR PERIOD ADJUSTMENT

At the start of the 2018/19 financial year the reporting segments (service portfolios) used to report the Council's revenue budget monitoring position changed to reflect changes in responsibility at Chief Officer Level. Changes to match have therefore been made to the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis, the Group Comprehensive Income and Expenditure Statement and associated notes along with the prior year comparators. For completeness the original 2017/18 primary statements are shown below:-

### 2017/18 Original Expenditure and Funding Analysis

The overall total has not changed.

	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Net Expenditure Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executives	2,805	51	2,856	39	2,895
Community & Enterprise	11,764	(221)	11,543	(14,604)	(3,060)
Education & Youth	99,709	1,112	100,821	5,972	106,793
Governance	7,634	350	7,984	1,613	9,597
Organisational Change	7,681	432	8,113	706	8,819
People & Resources	4,412	117	4,529	109	4,638
Planning & Environment	5,132	120	5,251	850	6,101
Social Services	63,250	149	63,399	799	64,198
Streetscene & Transportation	29,928	(317)	29,611	5,813	35,425
Corporate & Central Finance	20,735	3,192	23,927	(15,923)	8,003
Housing revenue account (HRA)	0	(276)	(276)	16,119	15,844
Theatr Clwyd	0	5	5	39	43
<b>Cost of services</b>	<b>253,049</b>	<b>4,714</b>	<b>257,763</b>	<b>1,531</b>	<b>259,295</b>
Other Income and Expenditure	(255,156)	20	(255,136)	21,584	(233,551)
<b>(Surplus)/deficit on the provision of services</b>	<b>(2,107)</b>	<b>4,735</b>	<b>2,628</b>	<b>23,116</b>	<b>25,743</b>
<b>Opening Council Fund / HRA Reserves</b>			33,120		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(2,903)		
Housing Revenue Account (HRA)			276		
<b>Closing Council Fund / HRA Reserves</b>			<b>30,493</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2017/18 Original Comprehensive Income and Expenditure Statement

The overall total has not changed.

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
<b>Service Expenditure Analysis</b>			
Chief Executives	3,016	(121)	2,895
Community & Enterprise	43,459	(46,520)	(3,060)
Education & Youth	135,995	(29,203)	106,793
Governance	10,497	(900)	9,597
Organisational Change	11,014	(2,195)	8,819
People & Resources	5,030	(392)	4,638
Planning & Environment	9,646	(3,544)	6,101
Social Services	85,020	(20,822)	64,198
Streetscene & Transportation	47,348	(11,924)	35,425
Corporate & Central Finance	9,305	(1,302)	8,003
Housing revenue account (HRA)	48,959	(33,115)	15,844
Housing revenue account (HRA) - Valuations Dwellings	0	0	0
Theatr Clwyd	5,933	(5,889)	43
<b>Cost of services</b>	<b>415,222</b>	<b>(155,927)</b>	<b>259,294</b>
Other Operating Expenditure			26,221
Financing and Investment Income and Expenditure			20,716
Taxation and Non-Specific Grant Income			(280,488)
<b>(Surplus)/deficit on the provision of services</b>			<b>25,743</b>
(Surplus)/deficit arising on revaluation of non-current assets			(48,838)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0
Actuarial (gains) or losses on pension assets and liabilities			(48,404)
<b>Total comprehensive income and expenditure</b>			<b>(71,499)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2017/18 Original Group Comprehensive Income and Expenditure Statement

The overall total has not changed.

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
<b>Service Expenditure Analysis</b>			
Chief Executives	3,014	(121)	2,893
Community & Enterprise	50,518	(46,927)	3,592
Education & Youth	131,535	(29,203)	102,333
Governance	10,494	(889)	9,605
Organisational Change	9,877	(2,079)	7,798
People & Resources	5,030	(384)	4,646
Planning & Environment	9,645	(3,544)	6,100
Social Services	84,288	(20,822)	63,466
Streetscene & Transportation	47,327	(11,871)	35,457
Corporate & Central Finance	9,305	(1,302)	8,003
Housing revenue account (HRA)	48,838	(33,115)	15,723
Housing revenue account (HRA) - Valuations	0	0	0
Theatr Clwyd	4,661	(4,539)	121
<b>Cost of services</b>	<b>414,532</b>	<b>(154,796)</b>	<b>259,736</b>
Other Operating Expenditure			26,221
Financing and Investment Income and Expenditure			20,890
Taxation and Non-Specific Grant Income			(280,488)
<b>(Surplus)/deficit on the provision of services</b>			<b>26,358</b>
Tax expenses of subsidiary			(219)
<b>Group (Surplus)/deficit</b>			<b>26,139</b>
(Surplus)/deficit arising on revaluation of non-current assets			(50,199)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0
Tax relating to other comprehensive income			357
Actuarial (gains) or losses on pension assets and liabilities			(49,164)
<b>Total comprehensive income and expenditure</b>			<b>(72,867)</b>



# HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE AND MOVEMENT ON RESERVES STATEMENTS

for the year ended 31<sup>st</sup> March 2019

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.

	2019		2018	
	£000	£000	£000	£000
<b>Expenditure</b>				
Repairs and maintenance		7,239		7,354
Management and supervision		3,962		4,239
Specialist Services		1,556		1,551
Rents, rates, taxes and other charges		65		6
Depreciation and impairment of non-current assets		30,415		35,317
Debt management costs		44		42
Increase in bad debt provision		548		450
Total expenditure		<u>43,829</u>		<u>48,959</u>
<b>Income</b>				
Dwelling rents (gross)	33,395		31,645	
Non-dwelling rents (gross)	<u>403</u>		<u>364</u>	
		33,798		32,009
Charges for services and facilities		1,190		1,058
Reimbursement of Costs		0		48
Contribution towards expenditure		160		0
Total income		<u>35,148</u>		<u>33,115</u>
<b>Net cost of HRA services as included in the whole authority</b>		<b>8,681</b>		<b>15,844</b>
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Other Operating Expenditure</b>				
Net (gain) / loss on the disposal of non-current assets		(76)		70
Admin. expenses on the net defined benefit liability		54		53
<b>Financing and Investment Income and Expenditure</b>				
Interest payable and similar charges		4,985		4,655
Net interest on the net defined benefit liability (see note 42)		481		521
<b>Total (surplus) / deficit for the year on HRA services</b>		<b><u>14,125</u></b>		<b><u>21,143</u></b>

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.

	Note (from core notes)	2019 £000	2018 £000
At 1st April		1,918	1,642
Surplus/(deficit) on the HRA income and expenditure statement		(14,125)	(21,143)
<b>Total comprehensive income and expenditure</b>		<u>(14,125)</u>	<u>(21,143)</u>
Adjustments between accounting and funding basis under regulations	7	14,428	21,419
<b>Increase/(decrease) in year on the HRA</b>		<u>303</u>	<u>276</u>
At 31st March		<u><b>2,221</b></u>	<u><b>1,918</b></u>

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

### 1. LEGISLATION

The Housing Revenue Account (HRA), 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 2019 were:-

Type	2019 No.	2018 No.
Houses	4,076	4,048
Flats	1,378	1,373
Maisonettes	10	10
Bungalows	1,798	1,794
	<u>7,262</u>	<u>7,225</u>

### 3. RENT ARREARS

The rents total of £1,783k (£1,539k in 2017/18) 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	2019 £000	2018 £000
<b>Rents</b>		
Current tenants	1,630	1,378
Former tenants	153	161
	<u>1,783</u>	<u>1,539</u>
 <b>Provision for impairment losses (bad debts)</b>	 <b>£000</b>	 <b>£000</b>
Opening provision	578	422
Written off in year	(476)	(287)
Increase in provision	543	443
	<u>645</u>	<u>578</u>

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

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Expenditure and Financing

HRA capital expenditure of £27,033k was incurred as follows; £0k - Land, £23,134k - Council Dwellings, £3,899k - Assets Under Construction £0k – equipment, (£29,772k in 2017/18). Financed as follows:-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	834	5,183	14,137	6,879	27,033
	<u>834</u>	<u>5,183</u>	<u>14,137</u>	<u>6,879</u>	<u>27,033</u>

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,183k) is the 2018/19 MRA allocation figure of £5,065k (£5,065k in 2017/18). 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 2018/19 in financing qualifying capital expenditure.

#### Capital Receipts

Gross capital receipts of £147k (£355k in 2017/18) were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2019 £000	2018 £000
Council dwellings	61	277
Shared Ownership Sales	86	78
Land sales	0	0
	<u>147</u>	<u>355</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 £5,308k (£5,162k in 2017/18) is based on the 2018/19 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2019 £000	2018 £000
Dwellings	5,045	5,056
Garages	20	20
Other Land & buildings	53	0
Plant and equipment	190	86
	<u>5,308</u>	<u>5,162</u>

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

A HRA impairment adjustment total of £25,264k was accounted for in 2018/19 (£30,155k in 2017/18). No revenue expenditure funded from capital under statute was accounted for in 2018/19 (£0k in 2017/18).

## 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:-

	2019		2018	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	1,382		1,411	
Curtailments/settlements	<u>0</u>		<u>0</u>	
<b>Other Operating Expenditure -</b>		1,382		1,411
Administration expenses	<u>54</u>		<u>53</u>	
<b>Financing and Investment Income and Expenditure</b>		54		53
Net interest expense	<u>481</u>		<u>521</u>	
		<u>481</u>		<u>521</u>
<b>Total HRA Charge</b>		<u>1,917</u>		<u>1,985</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		(1,917)		(1,985)
<b>Actual amount charged against the HRA balance for pensions in the year:</b>				
Employers' contributions payable to scheme		1,305		1,288

## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31<sup>st</sup> March 2019. 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 2018/19 (the Code) 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.

### 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 2019. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. 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 balance of receipts which has not been used for capital financing purposes is included in the Balance Sheet as usable capital receipts.

### Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is in its final year.

The Council is required to purchase and surrender allowances 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 on the Balance Sheet and an expense within the cost of services line of the Comprehensive Income and Expenditure Statement 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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

### Charges to Revenue for Non Current Assets

Service Portfolios 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 amortisation. 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 amortisation 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 2016/17 MRP Policy Statement agreed by Council in February 2016, subsequently amended in June 2016, February 2017 and March 2018, set in accordance with Welsh Government Guidance on MRP. The Council's Policy is to charge minimum revenue provision of:

- 2% of debt outstanding for the Housing Revenue Account.
- 2% of council fund debt outstanding fixed at 31<sup>st</sup> March 2017, on capital expenditure incurred before 1<sup>st</sup> April 2008 and capital expenditure funded by supported borrowing between 1<sup>st</sup> April 2008 and 31<sup>st</sup> March 2016 using the annuity method.
- Capital expenditure incurred on or after 1<sup>st</sup> April 2008 funded by prudential borrowing, capital expenditure incurred on or after 1<sup>st</sup> April 2016 funded by supported borrowing, and all future debt funded capital expenditure will be repaid based on the expected useful life of the asset using the annuity method.

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 36.

### 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.

## STATEMENT OF ACCOUNTING POLICIES

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 Council recognises costs for a restructure.

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 Youth's Portfolio Service 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.

## STATEMENT OF ACCOUNTING POLICIES

- 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 Corporate and Central Finance Service Portfolio.
  - 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 Corporate and Central Finance Service Portfolio.
  - 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 – charged 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.



## STATEMENT OF ACCOUNTING POLICIES

### 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.

### Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assuming that:

- Transactions take place in the principal market, or the most advantageous market
- Prices are set by market participants acting in their best economic interest
- Non-financial assets will be used in their highest and best use by both buyer and seller

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which the fair value is measured or disclosed in the Council's financial statements are categorized within the fair value hierarchy, as follows:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset or liability.

### Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### *Financial Liabilities*

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets with another entity that is potentially unfavourable to the Council.

## STATEMENT OF ACCOUNTING POLICIES

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

When premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### ***Financial Assets***

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual obligation to receive cash or another financial asset.

Financial assets are categorised based on a classification and measurement approach that reflects the Council's business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### ***Financial Assets Measured at Amortised Cost***

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

## STATEMENT OF ACCOUNTING POLICIES

The Council has granted loans to a wholly owned subsidiary, North East Wales Homes (NEW Homes) at less than market rates (soft loans). When soft loans are made to subsidiaries, the difference is recorded as an additional Long Term Investment in the Council's single entity Balance Sheet for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a higher effective rate of interest than the rate receivable from NEW Homes, with the difference serving to increase the amortised cost of the loan in the Council's single entity Balance Sheet. Statutory provisions require the impact of soft loans on the Council Fund Balance be the interest receivable for the financial year. The reconciliation of amounts credited to the CIES (at the higher effective interest rate) to the contractual rate of interest receivable required against the Council Fund Balance is managed by a transfer through the Capital Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. The Council applies the expected credit losses model on all of its financial assets held at amortised cost. The expected credit loss model also applies to lease receivables. The Council's financial assets have shared risk characteristics. The basis for the collective assessment of expected credit losses for the portfolio of financial assets is based on a matrix that uses historical default data for the portfolio, adjusted with relevant local information to adjust loss rates and any further intelligence for specific classes of financial asset where credit risk could increase. The loss allowance is calculated as a cumulative product of this matrix.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

### **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.

#### ***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, 200 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder are 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.

## STATEMENT OF ACCOUNTING POLICIES

### 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 intangible 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 £20k 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.

The most common useful lives used in respect of amortisation are:-

	Years
Software licences	5
Development expenditure	7

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation charges are not permitted to have an impact on the Council Fund Balance, and are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### 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 included in the Balance Sheet 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:-

- |   |                           |
|---|---------------------------|
| • Alltami Depot (grounds & vehicle maintenance and rock salt) | Weighted average          |
| • Alltami Depot (fleet fuel)                                  | FIFO (first in first out) |

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.

## STATEMENT OF ACCOUNTING POLICIES

### 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually reflecting 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.

### 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.

## STATEMENT OF ACCOUNTING POLICIES

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.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

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

- Council dwellings – current 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 – current 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.
- Surplus assets – current value measurement is based on fair value, estimated at highest and best use from a market participant's perspective
- Assets under construction – historical cost.

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

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

### Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 as at 1<sup>st</sup> April each year; in 2018/19 approximately 25% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards Global and UK Edition (January 2014). Valuations are carried out by the Council's in-house RICS valuers wherever possible, but in some cases external valuers are used.

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 current 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.



## STATEMENT OF ACCOUNTING POLICIES

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.

### 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:-

	<b>Years</b>
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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

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.

## STATEMENT OF ACCOUNTING POLICIES

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.

The written-off value of disposals is not a charge against council tax or rents, as the cost of non-current assets is fully provided for under separate capital financing arrangements. Amounts are appropriated to the Capital Adjustment Accounts from the Council Fund Balance in the Movement in Reserves Statement.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

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. The Council's single Foundation school is owned by the governors of the school and is therefore included in the Balance Sheet.

### Subsidiaries

The Council wholly owns three companies called, North East Wales Homes and Property Management (NEW Homes), Newydd Catering & Cleaning Ltd, and Theatr Clwyd Productions Ltd.

As the Council controls these entities the Code requires that their accounts are consolidated into the Council's group accounts. In the Council's single entity accounts, the interests in subsidiaries is recorded 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 Reserves are shown as appropriations in the Movement In 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 levels of council tax or rent.

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.

## GROUP ACCOUNTS

The Code requires that a local authority with material interests in subsidiaries, associates and joint ventures should prepare Group Accounts in addition to its single entity accounts.

A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent.

For Group Accounts purposes the Council has consolidated the accounts of three wholly owned subsidiaries of the Council;

- North East Wales Homes Limited (NEW Homes),
- Newydd Catering & Cleaning Ltd, and;
- Theatr Clwyd Productions Ltd

The Council's other collaborative working arrangements have been reviewed against the requirements of the Code, and it has been determined that none of these arrangements require inclusion in Group Accounts.

The Group Accounts include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

### NEW Homes

NEW Homes was established on 3<sup>rd</sup> April 2014 to 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

Further information on NEW Homes is available on its website [www.northeastwaleshomes.co.uk](http://www.northeastwaleshomes.co.uk),

NEW Homes currently owns and manages 102 units across Flintshire. These are made up of a combination of newly built properties developed through the Council's Strategic Housing And Regeneration Programme (SHARP) and properties negotiated with developers through Section 106 agreements. 40 properties have been 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. The total value of these properties in the NEW Homes Balance Sheet is £5,985k. The remaining 62 properties are new build affordable homes for rent in Flint. The total value of these properties in the NEW Homes Balance Sheet is £7,619k.

## **GROUP ACCOUNTS**

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 on the Flintshire affordable housing register.

NEW Homes Board approved a revised Development Strategy in March 2019 which proposes to expand the company over the next three years. This will bring the total number of properties managed by NEW Homes to 309 by 2021/22.

### **Newydd Catering & Cleaning Ltd**

Newydd Catering & Cleaning Ltd a new Local Authority Trading Company incorporated on 28<sup>th</sup> February 2017 as a Company limited by shares with the Council owning all of the shares, 100 at £1 par value. The Catering and Cleaning service has been created with the objective to be more responsive to the demands of the market and be free to attract new customers outside of the Council.

The Council has a high level of control over Newydd as the single shareholder approving;

- any strategic objectives and decisions
- any transfer or transmission of shares in the Company
- the retention or distribution of any financial surplus
- the issue by the Company of any shares in the capital of the Company, and the rights and/or restrictions of any shares.
- any borrowing against assets

Further information on Newydd Ltd is available on its website [www.newydd.wales](http://www.newydd.wales)

### **Theatr Clwyd Productions Ltd**

Theatr Clwyd Productions was incorporated on 22<sup>nd</sup> Dec 2015 as a Company limited by shares with the Council owning all of the shares, 1 at £1 par value. The company was established for the theatre to produce its own productions operating under the advantages available to Theatrical Production Companies.

The Council has a high level of control over Theatr Clwyd Productions as the single shareholder approving;

- the Business Plan and any decision that the Company should undertake on any business other than in accordance with the Business Plan.
- any changes to the memorandum and/or articles of association
- the issue of any shares
- any borrowing (unsecured or secured by a legal charge against land or buildings owned by the company)

### **Accounting Policies**

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 69 to 84. Where the subsidiaries accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2019

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2018</b>	<b>28,575</b>	<b>20,837</b>	<b>49,412</b>	<b>65,606</b>	<b>115,016</b>	<b>2,037</b>	<b>117,053</b>
Total comprehensive income and expenditure	(19,271)	(14,125)	(33,396)	(29,585)	(62,981)	6,884	(56,097)
Adjustments between group accounts and authority accounts	6,957	472	7,429	0	7,429	(6,559)	870
<b>Net increase/(decrease) before transfers</b>	<b>(12,314)</b>	<b>(13,653)</b>	<b>(25,967)</b>	<b>(29,585)</b>	<b>(55,552)</b>	<b>325</b>	<b>(55,227)</b>
Adjustments between accounting and funding basis under regulations	11,073	18,117	29,190	(29,190)	0	0	0
<b>Increase/(decrease) in year</b>	<b>(1,241)</b>	<b>4,464</b>	<b>3,223</b>	<b>(58,775)</b>	<b>(55,552)</b>	<b>325</b>	<b>(55,227)</b>
<b>At 31st March 2019</b>	<b>27,334</b>	<b>25,301</b>	<b>52,635</b>	<b>6,831</b>	<b>59,464</b>	<b>2,362</b>	<b>61,826</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2018

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2017</b>	<b>31,478</b>	<b>16,325</b>	<b>47,803</b>	<b>(4,283)</b>	<b>43,518</b>	<b>3,586</b>	<b>47,104</b>
Total comprehensive income and expenditure	1,355	(21,143)	(19,788)	97,243	77,455	(4,587)	72,867
Adjustments between group accounts and authority accounts	(5,957)	0	(5,957)	0	(5,957)	3,038	(2,919)
<b>Net increase/(decrease) before transfers</b>	<b>(4,602)</b>	<b>(21,143)</b>	<b>(25,745)</b>	<b>97,243</b>	<b>71,498</b>	<b>(1,549)</b>	<b>69,948</b>
Adjustments between accounting and funding basis under regulations	1,697	25,655	27,352	(27,352)	0	0	0
<b>Increase/(decrease) in year</b>	<b>(2,905)</b>	<b>4,512</b>	<b>1,607</b>	<b>69,889</b>	<b>71,498</b>	<b>(1,549)</b>	<b>69,949</b>
<b>At 31st March 2018</b>	<b>28,573</b>	<b>20,837</b>	<b>49,410</b>	<b>65,606</b>	<b>115,014</b>	<b>2,037</b>	<b>117,051</b>

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2019

	2019		Restated 2018			
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>						
Chief Executive's	2,707	(147)	2,559	3,014	(121)	2,893
Education & Youth	127,529	(27,514)	100,015	131,555	(29,203)	102,352
Governance	11,871	(2,146)	9,725	12,731	(2,480)	10,251
Housing & Assets	60,394	(41,429)	18,965	58,011	(44,249)	13,762
People & Resources	4,757	(365)	4,392	5,033	(384)	4,649
Planning, Environment & Economy	10,858	(4,790)	6,068	11,538	(4,658)	6,880
Social Services	90,093	(21,064)	69,029	84,301	(20,822)	63,479
Strategic Programmes	10,842	(517)	10,325	8,418	(2,052)	6,366
Streetscene	48,555	(10,778)	37,777	47,334	(11,871)	35,463
Central & Corporate Finance	18,016	(3,224)	14,792	(900)	(1,303)	(2,203)
Housing Revenue Account	43,829	(35,148)	8,681	48,838	(33,115)	15,723
Clwyd Theatr Cymru	5,721	(5,553)	167	4,660	(4,539)	121
<b>Cost of services</b>	<b>435,171</b>	<b>(152,675)</b>	<b>282,495</b>	<b>414,533</b>	<b>(154,797)</b>	<b>259,736</b>
Other Operating Expenditure			26,765			26,221
Financing and Investment Income and Expenditure			20,516			20,890
Taxation and Non-Specific Grant Income			(302,797)			(280,488)
<b>(Surplus)/deficit on the provision of services</b>			<b>26,979</b>			<b>26,359</b>
Tax expenses of subsidiary			(165)			(219)
<b>Group (Surplus)/deficit</b>			<b>26,814</b>			<b>26,140</b>
(Surplus)/deficit arising on revaluation of non-current assets			(9,539)			(50,199)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			(107)			357
Actuarial (gains) or losses on pension assets and liabilities			38,929			(49,165)
<b>Total comprehensive income and expenditure</b>			<b>56,097</b>			<b>(72,867)</b>

\*The 2017/18 figures have been restated as explained in Note 43. This has not changed the total figure in the CIES



# GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2019

	Note	2019 £000	2018 £000
<b>NON-CURRENT ASSETS</b>			
<b>Property, Plant &amp; Equipment</b>			
Council dwellings		203,171	207,735
Other land and buildings		328,981	323,217
Vehicles, plant, furniture and equipment		14,038	14,622
Surplus assets		7,082	8,934
Infrastructure assets		156,782	153,463
Community assets		4,721	4,721
Assets under construction		25,064	10,364
<b>Total Property, Plant &amp; Equipment</b>	<b>1</b>	<b>739,839</b>	<b>723,056</b>
Investment properties and Agricultural Estate		27,035	29,064
Intangible assets		25	57
Long term investments		0	0
Long term debtors		3,196	2,387
<b>NON-CURRENT ASSETS TOTAL</b>		<b>770,095</b>	<b>754,564</b>
<b>CURRENT ASSETS</b>			
Inventories		1,151	940
Short term debtors (net of impairment provision)		42,368	36,116
Short term investments		100	0
Cash and cash equivalents		32,009	32,361
Assets held for sale		1,113	1,517
Current tax asset		0	213
<b>CURRENT ASSETS TOTAL</b>		<b>76,741</b>	<b>71,147</b>
<b>CURRENT LIABILITIES</b>			
Borrowing repayable on demand or within 12 months		(50,454)	(58,084)
Short term creditors		(35,488)	(29,513)
Provision for accumulated absences		(2,666)	(1,776)
Deferred liabilities		(555)	(541)
Grants receipts in advance		(1,815)	(2,512)
Provisions		(1,407)	(609)
Current Tax Liability		0	213
<b>CURRENT LIABILITIES TOTAL</b>		<b>(92,385)</b>	<b>(92,822)</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term creditors		(1,532)	(1,342)
Long term borrowing		(272,379)	(253,672)
Deferred liabilities		(4,491)	(4,846)
Provisions		(990)	(2,131)
Other long term liabilities		(412,231)	(352,215)
Grants receipts in advance		(1,002)	(1,632)
Deferred Tax Liability		0	0
<b>NON-CURRENT LIABILITIES TOTAL</b>		<b>(692,625)</b>	<b>(615,838)</b>
<b>NET ASSETS</b>		<b>61,826</b>	<b>117,051</b>

# GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2019

	Note	2019		2018	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital receipts reserve		15,945		14,094	
Capital grants unapplied		7,135		4,825	
Council fund		14,020		13,486	
Profit and Loss Reserve		(2,743)		(2,320)	
Earmarked reserves		13,314		14,876	
Housing revenue account		2,221		1,918	
<b>USABLE RESERVES TOTAL</b>			49,892		46,879
<b>UNUSABLE RESERVES</b>					
Revaluation reserve		110,394		107,630	
Capital adjustment account		317,944		319,537	
Financial instruments adjustment account		(6,091)		(6,452)	
Pensions reserve		(407,745)		(348,865)	
Deferred capital receipts		98		98	
Accumulated absences account		(2,666)		(1,776)	
<b>UNUSABLE RESERVES TOTAL</b>			11,934		70,172
<b>TOTAL RESERVES</b>			61,826		117,051

**GROUP CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> March 2019

	2019		2018
	£000	£000	£000      £000
Net surplus or (deficit) on the provision of services	(26,529)		(25,977)
Adjustment to surplus or deficit on the provision of services for non-cash movements	77,582		62,764
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(34,124)</u>		<u>(20,886)</u>
Net cash flows from operating activities		16,929	15,901
Net cash flows from investing activities	(35,196)		(33,353)
Net cash flows from financing activities	<u>17,915</u>		<u>42,640</u>
		<u>(17,281)</u>	<u>9,287</u>
<b>Net increase or decrease in cash and cash equivalents</b>		(352)	25,188
Cash and cash equivalents at the beginning of the reporting period		32,361	7,173
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>32,009</b>	<b>32,361</b>

## NOTES TO THE GROUP ACCOUNTS

### 1. PROPERTY, PLANT AND EQUIPMENT

	Flintshire County Council	NEW Homes	NEWYDD	Theatr Clwyd Productions Ltd	Group
	£000	£000	£000	£000	£000
<b>Net Book Value at 31st March 2019</b>					
Council Dwellings	203,171	0	0	0	203,171
Other land and buildings	315,377	13,604	0	0	328,981
Vehicles, plant, furniture and equipment	13,956	0	82	0	14,038
Surplus assets	7,082	0	0	0	7,082
Infrastructure assets	156,782	0	0	0	156,782
Community assets	4,721	0	0	0	4,721
Assets under construction	24,282	782	0	0	25,064
	<b>725,371</b>	<b>14,386</b>	<b>82</b>	<b>0</b>	<b>739,839</b>

	Flintshire County Council	NEW Homes	NEWYDD	Theatr Clwyd Productions Ltd	Group
	£000	£000	£000	£000	£000
<b>Net Book Value at 31st March 2018</b>					
Council Dwellings	207,735	0	0	0	207,735
Other land and buildings	313,234	9,983	0	0	323,217
Vehicles, plant, furniture and equipment	14,577	0	45	0	14,622
Surplus assets	8,934	0	0	0	8,934
Infrastructure assets	153,463	0	0	0	153,463
Community assets	4,721	0	0	0	4,721
Assets under construction	7,512	2,852	0	0	10,364
	<b>710,176</b>	<b>12,835</b>	<b>45</b>	<b>0</b>	<b>723,056</b>

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

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of:

- Flintshire County Council; and
- Flintshire County Council's Group.

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Flintshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

Flintshire County Council's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom [year] based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council and Flintshire County Council's Group as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

### Basis for opinion

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

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or its group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the Council and its group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

2018/19

Flintshire County Council – Annual Governance Statement

## What is Governance?

"Governance is at the heart of public services. It underpins how resources are managed, how decisions are made, how services are delivered and the impact they have, now and in the future. It also infuses how organisations are led and how they interact with the public. Governance needs to be robust but it must also be proportionate. Well-governed organisations are dynamic and take well-managed risks; they are not stagnant and bureaucratic."<sup>1</sup>

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Flintshire County Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website. A summary of the principles upon which it is based can be found later in this document.

The Council's governance framework supports its aim as a modern public body which has the **philosophy** of operating as a social business which refers to it:

- being lean, modern, efficient and effective
- being designed, organised and operated to meet the needs of communities and the customer; and
- working with its partners to achieve the highest possible standards of public service for the well-being of Flintshire as a County.

To meet these aspirations the Council has set the **standards** of:-

- achieving excellence in corporate governance and reputation.
- achieving excellence in performance against both our own targets and against those of high performing peer organisations.
- being modern and flexible, constantly adapting to provide the highest standards of public, customer, and client service and support.
- using its four resources - money, assets, people and information - strategically, effectively and efficiently.
- embracing and operating the leanest, least bureaucratic, efficient and effective business systems and processes.

<sup>1</sup> Wales Audit Office: "Discussion Paper: The governance challenges posed by indirectly provided, publicly funded services in Wales" 2017



To achieve these standards the Council's **behaviours** are:-

- showing strategic leadership both of the organisation and our partnerships.
- continuously challenging, reviewing, changing and modernising the way we do things.
- being as lean and un-bureaucratic as possible.
- using new technology to its maximum advantage.
- using flexible working to its maximum advantage.

The Council is committed to the **principles** of being:-

- a modern, fair and caring employer.
- fair, equitable and inclusive in its policies and practices.
- conscientious in planning and managing its activities, and making decisions, in a sustainable way.

Page 121 The Council is committed to specific values and principles in working with its key partners and partnerships. These cover strategic partnerships such as the Public Services Board and with the third sector such as agreeing a set of Voluntary Sector Funding principles.

In previous years the Council's Annual Governance Statement has covered the Clwyd Pension Fund. From 2018/19 the Clwyd Pension Fund will produce their own Annual Governance Statement which will be presented to the Clwyd Pension Fund Board for consideration and approval.

## Dashboard : Effectiveness of the Council's Governance Framework



### Annual Internal Audit Opinion 2018/19:

"For the year ending 31 March 2019, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and control".

**Internal Audit Manager, Flintshire County Council**

### Ares of Very Best Practice:

- Effective engagement external partners and board
- Corporate Governance and Regulatory Inspections
- Medium Term Financial Strategy Performance Management

# What is the Annual Governance Statement?

The Council is required by the Accounts and Audit (Wales) Regulations 2018 to prepare a statement on internal control. Alongside many authorities in Wales, Flintshire refers to this as the 'Annual Governance Statement'. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The annual governance statement reports on the governance framework that has been in place at Flintshire County Council for the financial year 2018/19 and up to the date of approval of the statement of accounts.

## How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by the Corporate Governance Working Group. This group prepared assessment questionnaires for each corporate Chief Officer and also for some specific governance functions such as finance, human resources and legal. The questionnaires were based on the seven principles that follow in the main part of this document and were assessed to identify any areas for improvement. Questionnaires were also completed by the Chairs of Overview and Scrutiny committees. In addition the Audit Committee undertakes a self-assessment of its own effectiveness which has also informed this work.

The preparation and content of this year's governance framework has been considered by the Chief Officer Team, with assurance support from Internal Audit, Audit Committee and External Audit (Wales Audit Office). The governance framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

In preparing the Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the local Code of Corporate Governance.
- updated the local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements and the requirements of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities.
- assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in pages 6-12 of the document. Principles **highlighted in Green** reflect those which the Chief Officers assessed as being applied consistently well across the Council. Principles assessed as needing further improvement are detailed on pages 18-20.

The Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Committee reviews and approves the Annual Governance Statement.

The six Overview & Scrutiny chairs have also considered and commented on issues within their respective committees' remit. They expressed general satisfaction with the Annual Governance Statement.

## What are the key principles of the Corporate Governance Framework?

The Council aims to achieve good standard of governance by adhering the seven key principles of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities, which form the basis of the Local Code of Corporate Governance. The seven key principles are:

Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B	Ensuring openness and comprehensive stakeholder engagement
Principle C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
Principle D	Determining the interventions necessary to optimise the achievement of the intended outcomes
Principle E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
Principle F	Managing risks and performance through robust internal control and strong public financial management
Principle G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability

## Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

### Sub Principles:

#### Behaving with Integrity

#### Demonstrating strong commitment to ethical values

#### Respecting the rule of law

### How we do this:

- The behaviour and expectations of Officers and Members are set out in the Council's Codes of Conduct, Constitution, and a suite of policies and procedures relating to Officers and Member induction, supervision, training and appraisals and leadership competencies.
- Case management both for Members and Officers.
- Codes of Conduct for Members and Officers specify the requirements around declarations of interests formally and at the beginning of meetings, gifts and hospitality etc.
- **The Council takes fraud seriously. Key policies are in place to prevent, minimise and manage such occurrences. Policies include:**
  - Whistleblowing Policy
  - Anti-Fraud and Corruption Strategy
  - Fraud Response Plan
  - Financial and Contract Procedure Rules
- Compliance with policies and protocols e.g. Contract Procedure Rules
- Enhanced profile of Internal Audit

- A set of leadership competencies are deployed in each Portfolio and led by each Chief Officer.
- The Council's recruitment policy, training and competencies based appraisal processes underpin personal behaviours with ethical values.
- **Robust policies and procedures are in place, subject to formal approval prior to adoption by formal committees.**
- **All contracts and external service providers, including partnerships are engaged through the robust procurement process and follow the Contract Procedure rules regulations.**
- **Application of the corporate operating model; our way of being organised, working internally to promote high standards of professional performance and ethical behaviour to achieve organisational priorities and objectives.**

- The Council ensures that statutory officers and other key officers and members fulfil legislative and regulatory requirements through a robust framework which includes: Scheme of delegation; induction, development and training of existing and new requirements; application of standing operating procedures; and engagement of early / external advice where applicable.
- **The full use of the Council powers are optimised by regular challenge and keeping abreast of new legislation to achieve corporate priorities and to benefit citizens, communities and other stakeholders e.g. alternative service models (ADM's)**
- Effective Anti-Fraud and Corruption framework supported by a suite of policies; any breaches are handled in accordance with key legislative provision and guidance from appropriate bodies.
- **The Council's Monitoring Officer is responsible for ensuring the Council complies with the law and avoids maladministration. The Council's Constitution promotes high standards of conduct which is monitored by the Standards Committee.**
- Consistent application of risk assessments for both strategic, operational and partnership plans.

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Sub Principles:

##### Openness

#### How we do this:

- The Council is committed to having an open culture. This is demonstrated by:
  - Complaints and Compliments Procedure
  - Meetings are conducted in an open environment
  - Council's website
- The most appropriate and effective interventions / courses of action are determined using formal and informal consultation and engagement supported by:
  - Public consultation around the Medium Term Financial Strategy (MTFS)
  - Consultation principles, e.g. School Modernisation Programme
  - Formal and informal engagement models with employee and communities e.g. alternative delivery models Member workshops
  - County Forum (Town and Community Councils)
  - Positive engagement with Trade Unions both formally and informally

##### Engaging comprehensively with institutional stakeholders

- The Council effectively engages with stakeholders to ensure successful and sustainable outcomes by:
  - Effective application and delivery of communication strategies to support delivery of Social Media
  - Targeting communications and effective use of Social Media
  - Formal and Informal meetings with key stakeholder groups
  - Effective stakeholder engagement on strategic issues
  - Service led feedback questionnaires and events
- Effective use of resources and achievement of outcomes is undertaken by the Council both through informal and formal partnerships:
  - Extensive range of partnerships to support the delivery of the Council's strategic priorities, including the Public Services Board
  - Open and productive partnership arrangements supported by an effective governance framework
  - Trust and good relations lead to delivery of intended outcomes e.g. community asset transfers
  - Partner representation at Scrutiny committees

##### Engaging stakeholders effectively, including individual citizens and service users

- The achievement of intended outcomes by services is supported by a range of meaningful guidance on consultation engagement and feedback techniques with individual citizens, service users and other stakeholders. This includes:
  - Range of customer channels
  - Undertaking Impact assessments
  - Results from satisfaction surveys to enhance service delivery where applicable
  - Complaints reviewed to assess organisational learning and change
  - Sharing soft intelligence and good practice
  - Committee reports portray all relevant feedback
  - Services are assessed for value for money and opportunities for efficiencies
  - Taking account of the interests of future generations of tax payers and service users
- The Council has appropriate structures in place to encourage public participation governed through the Communication and Social Media Policies. These include:
  - E-newsletters
  - The Council's website
  - Tenants Forums
  - Service user groups
  - Quality circles
  - Use of infographics

Green = Chief Officer assessed as being consistently well across the Council

## Principle C

### Defining outcomes in terms of sustainable economic, social, and environmental benefits

#### Sub Principles:

##### Defining outcomes

##### Sustainable economic, social and environmental benefits

#### How we do this

- **The Council has a clear vision describing the organisation's purpose and intended outcomes which is achieved through:**
  - **Linking of vision and intent to the MTFS which links to the Council Plan, Portfolio Business Plans and other plans and strategies with a focus on priorities for change and improvement**
  - **Organisational objectives are delivered through Programme Boards and political decision making processes**
  - Service Planning consideration including sustainability of service delivery
- Risk Management is applied consistently at project, partnership and business plan levels using the corporate performance system (CAMMS) which adheres to the Risk Management Policy and Strategy and ensures consistent application of risk registers and terminology.
- **Risk appetite is also considered whilst developing future scenarios and options with key staff.**
- The development of the County's Well-being Plan and delivery of the Public Services Board's priorities ensure that public services work effectively together to add value.

- The Council takes a longer term view and balances the economic, social and environmental impact of policies, plans etc. along with the wider public interest when taking decisions about service provision. This is supported by a range of governance approaches:
  - **Budget setting of the Capital Programme and MTFS and longer term business planning through the use of effective forecasting models**
  - **Setting longer term objectives regardless of political term**
  - **Delivering defined outcomes**
  - **Multi-disciplinary approach to policy development and wider public interest of economic, social and environment issues e.g. Welfare Reform, Corporate Safeguarding**
  - **Ensuring fair access to services**
  - Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts.
  - Communication plans for public and community engagement
  - Clear documented record of route to change



## Principle D

### Determining the interventions necessary to optimise the achievement of the intended outcomes

#### Sub Principles:

##### Determining interventions

##### Planning interventions

##### Optimising achievement of intended outcomes

#### How we do this

- Good judgement in making decisions is achieved by ensuring decision makers receive objective and rigorous analysis of information and options to achieve intended outcomes including the related risks. This is achieved by:
  - **Full engagement with members on a longer term basis e.g. MTFS and Business Plans**
  - **Delivery of the MTFS and revenue and capital budget setting process providing options for the public, stakeholders and members to be engaged to consider modifications**
  - Development of forecasting models
  - Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways
  - **Clear option appraisals detailing impacts, savings and risks to ensure best value is achieved**
  - Budget monitoring for each Portfolio and corporate considerations
  - **Managing expectation for key stakeholders**
  - Other key workforce strategies e.g. digital and procurement
  - Application of Impact Assessments

- The Council has established and implemented robust planning and control cycles covering strategic and business plans, priorities, targets, capacity and impact. This is achieved through:
  - Co-design of service solutions with key stakeholders
  - **Application of risk management principles when working in partnership and collaboratively and the active use of risk registers**
  - **Regular monitoring of business planning, efficiency and reliability including feedback on business planning model**
- **Service performance is measured through national performance indicators and establishing a range of local indicators, which are regularly monitored, reported and used for benchmarking purposes**
- **Robust and inclusive methodologies are in place to formulate the MTFS which is an integral part of the Council's governance framework and Portfolio Business plans are linked to the Council Plan**

- Resource requirements for the services are identified through the business planning process and detailed within the MTFPs highlighting any shortfall in resources and spending requirements.
- **To ensure the budget process is all-inclusive, taking into account the full cost of the operations over the medium and longer term, regular engagement and ownership of the budget through the Chief Officer Team and consultation with members through workshops and robust scrutiny process is undertaken.**
- Social values are achieved through the effective commissioning of services and compliance with Council procedures.
- Consultation and engagement around the content of the MTFS through public and employee events sets the context for residents and employees. In particular relating to ongoing decisions on significant delivery issues or responses to changes in the external environment

## Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

### Sub Principles:

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

### How we do this:

- We review our operations, performance, and use of assets on a regular basis to ensure their continuing effectiveness by:
  - Review of service delivery, performance and risks through team meetings and quarterly formal reporting,
  - Programme boards' development and monitoring
- The Council reviews the sufficiency and appropriateness of resource allocation through techniques such as:
  - Benchmarking both internal and external review undertaken to identify improvements in resource allocation, including the use of national and local PIs
  - Internal challenge
- **Benefits of collaborative and partnership working both regionally and nationally to ensure added value is achieved by linking services and organisation priorities to partnership working**
- Develop and maintain the workforce plan to enhance the strategic allocation of resources through the publication of regular workforce data reports and drawing intelligence from supervision and appraisal meetings.
- Future workforce and succession planning is undertaken in each portfolio to identify future workforce capability and progression.

- Effective shared leadership which enables the Council to respond successfully to changing external demands and risks is supported by:
  - a range of management and leadership development programme, run in partnership with Coleg Cambria
  - 'Development workforce' and 'leadership capacity' and 'managing performance' are three of the five priorities within the People Strategy 2016-2019
  - The Leader and the Chief Executive have clearly defined and distinct leadership roles
- Individual and organisational requirements are supported through:
  - Corporate induction for new employees to the Council
  - Inductions for employees in new jobs
  - Continued learning and development for employees identified through the competency based appraisal system and one to one meetings
  - **A comprehensive range of training and development opportunities available, in partnership with Coleg Cambria and professional bodies.**
  - **Feedback and shared learning to the organisations both through reports and interactive sessions such as the 'Academi'**
- **To support and maintain the physical and mental wellbeing of the workforce a range of interventions is provided including: Occupational Health Service, Signposting employees and Members to Care First (independent Counselling support), Management Awareness and Support, internal training and awareness sessions to support stress related absences**

## Principle F

### Managing risks and performance through robust internal control and strong public financial management

#### Sub Principles:

##### Managing risk

##### Managing performance

##### Robust internal control

##### Managing data

##### Strong public financial management

#### How we do this:

- Risk Management is an integral part of all activities and decision making through:
  - **Application of risk management policy and strategy**
  - Identification of all risks and appropriate mitigations and transitional plans reported to Committees
  - **Clear allocation of management for risk responsibility with oversight by senior management and chief officers**
  - **Assurance by Internal Audit and Audit Committee**
  - Established the Chair and Vice Chair Liaison Group

- **Members and senior management are provided with regular reports on service performance against key performance indicators and milestones against intended outcomes**
- **Members are clearly and regularly informed of the financial position and implications including environmental and resource impacts**

- **Internal Audit provide the Council, through the Audit Committee, with an annual independent and objective opinion on the adequacy and effectiveness of the Council's internal control, risk management, governance arrangements and associated policies.**
- The Council is dedicated to tackling fraud as detailed within the Anti-Fraud and Corruption Strategy, Fraud Response Plan, and Whistleblowing Policy

- **The Council has effective strategic direction, advice and monitoring of information management with clear policies and procedures on personal data and provides regular training to ensure compliance with these.**
- The Council requires Information Sharing Protocols to be in place in respect of all information shared with other bodies.
- **The quality and accuracy of data used for decision making and performance monitoring is supported by a guidance from a range of professional bodies.**
- **Internal Audit review and audit regularly the quality and accuracy of data used in decision making and performance monitoring.**

- **The Council's financial management arrangements support both the long term achievement of outcome and short term financial performance through the delivery of the MTFS**
- Setting a prudent Minimum Revenue Provision for the repayment of debt
- The integration of all financial management and control is currently being reviewed as part of the finance modernisation project.

## Principle G

### Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### Sub Principles:

##### Implementing good practice in transparency

#### How we do this:

- The Council has recently improved the layout and presentation of its reports in order to improve the presentation of key information to decision-makers.
- The Council is mindful of providing the right amount of information to ensure transparency.
- A review of information sharing protocols has been undertaken and new principles adopted.

##### Implementing good practices in reporting

- **The Council reports at least annually on the achievement and progress of its intended outcomes and financial position. This is delivered through the:**
  - Annual Performance report assessing performance against the Council Plan
  - Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources
  - Progress against the Well-being Plan
- The Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance.

##### Assurance and effective accountability

- Through robust assurance mechanisms the Council can demonstrate effective accountability. These mechanisms include:
  - **Internal Audit undertakes independent reviews to provide an annual assurance opinion of the Council's control, risk management, and governance framework. To allow this Internal Audit has direct access to Chief Officer and members of the Council.**
  - **All agreed actions from Internal Audit reviews are monitored regularly with reports to Chief Officers monthly and each Audit Committee.**
  - **Any 'limited/red' assurance opinion are reported to Audit Committee in full and progress monitored closely**
  - **Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery**
  - Through effective commissioning and monitoring arrangements and compliance with Council's procedures, the Council gains assurance on risk associated with delivering services through third parties and any transitional risks.
  - Reports are presented to Cabinet and an annual report to Audit Committee of external feedback from regulatory work, peer reviews along with the Council's responses.

## Contributors to an effective Governance Framework

Council	<ul style="list-style-type: none"> <li>– Approves the Council Plan</li> <li>– Endorses the Constitution</li> <li>– Approves the policy and financial frameworks</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>– Primary decision making body of the Council</li> <li>– Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>– Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors</li> </ul>
Standards & Constitution & Democratic Services Committee	<ul style="list-style-type: none"> <li>– Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct.</li> <li>– Constitution &amp; Democratic Services Committee considers and proposes changes to the Constitution and the Code of Corporate Governance.</li> </ul>
Portfolio Programme Boards	<ul style="list-style-type: none"> <li>– Track efficiencies, highlighting risk and mitigating actions to achievement</li> <li>– Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery</li> <li>– Plan communication and engagement activity</li> </ul>
Overview & Scrutiny Committees	<ul style="list-style-type: none"> <li>– Review and scrutinise the decisions and performance of Council, Cabinet, and Committees</li> <li>– Review and scrutinise the decisions and performance of other public bodies including partnerships</li> <li>– Assists the Council and Cabinet in the development of the Budget and Policy framework by in-depth analysis of policy issues.</li> <li>– Established the Chair/Vice Chair Liaison Group</li> </ul>
Chief Officers Team & Service Managers	<ul style="list-style-type: none"> <li>– Set governance standards</li> <li>– Lead and apply governance standards across portfolios</li> <li>– Undertake annual self-assessment</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>– Provide an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements</li> <li>– Investigates fraud and irregularity</li> </ul>

# How does Flintshire Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key elements of assurance that inform this governance review are detailed below:

Page 134

Chief Officers Team	Monitoring Officer	Section 151 Officer	Information Governance	Internal Audit
<ul style="list-style-type: none"> <li>Corporate oversight and strategic planning</li> <li>Annual Corporate Governance Assessment</li> <li>Implement and monitor regulatory and other governance protocols</li> </ul>	<ul style="list-style-type: none"> <li>Legal and regulatory assurance</li> <li>Monitors the operation of the Constitution</li> <li>Ombudsman investigations</li> </ul>	<ul style="list-style-type: none"> <li>Proper administration of the Council's financial affairs</li> </ul>	<ul style="list-style-type: none"> <li>Designated Senior Information Risk Owner (SIRO)</li> <li>Data Protection procedures including GDPR</li> <li>Information Security &amp; Records Management procedures</li> </ul>	<ul style="list-style-type: none"> <li>Annual opinion report on adequacy of internal controls, risk management and governance arrangements</li> <li>Internal Audit plan and report tracking / performance by Audit Committee</li> <li>Provision of advice &amp; consultancy</li> <li>Undertake Investigation and proactive Fraud work</li> </ul>
Overview & Scrutiny	Audit Committee	Risk Management	External Audit / Inspections	Counter Fraud
<ul style="list-style-type: none"> <li>Policy review and challenge</li> <li>Overview &amp; scrutiny of topics</li> <li>Corporate &amp; Portfolio Performance &amp; Risk monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Self-assessment of Audit Committee</li> <li>Review effectiveness of internal and external audit</li> <li>Consider the adequacy of the internal control, risk management and Governance arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy and Strategy</li> <li>Quarterly monitoring and reporting of Strategic Risks</li> </ul>	<ul style="list-style-type: none"> <li>Financial statements audit</li> <li>Thematic &amp; national reviews</li> <li>Other external inspections</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Fraud and Corruption &amp; Whistleblowing arrangements</li> <li>Codes of Conduct for Officers and Members</li> <li>Financial and Contract Procedure Rules</li> </ul>

## How has the Council addressed the governance and strategic issues from 2017/18?

The 2017/18 Annual Governance Statement contained 14 key improvement areas as i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council; and, ii) Strategic Council Plan issues – those that were identified as part of the Council Plan for 2017/18 which remained unmitigated i.e. a 'Red' risk status.

The issues and how they were addressed are below:

(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account.	<ul style="list-style-type: none"> <li>Service planning does not take into account service user's needs in the future.</li> <li>Legal and or judicial challenges.</li> <li>Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change.</li> <li>Lack of structures to encourage public participation</li> </ul>	<ul style="list-style-type: none"> <li>Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of services.</li> <li>Communication strategies developed and actioned for all major decisions affecting the public.</li> <li>Ensure that effective feedback mechanisms are built into communication strategies, taking into account the diversity of communication methods.</li> </ul>	<p>Integrated Impact Assessments (IIA) now developed and used to inform 2018/19 business planning. CAMMS system been updated with IAA for all relevant efficiency projects and policies; process to be fully operational from May 2019.</p> <p>Although the Council has policies and procedures to ensure the lawfulness of its decisions the potential for legal and judicial challenges remain an ongoing risk to the Council.</p> <p>Communication strategies have been developed for policy change and other major decisions affecting the public, including feedback mechanisms.</p>	<p>Open</p> <p>Integrated Impact Assessment needs to be consistently embedded within business planning.</p> <p>Integrated Impact Assessment process has been developed and has been used manually. Full conversion to digital system tested.</p> <p>New refined reporting process to better capture 'Impact' risks to be trialled from June.</p> <p>Communication strategies have been developed, but need to be consistently applied.</p>



## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
Identifying and managing risks to the achievement of outcomes.	<ul style="list-style-type: none"> <li>Risks are not mitigated during transitional or implementation phases.</li> <li>Outcomes are under-achieved.</li> </ul>	<ul style="list-style-type: none"> <li>Consistent application of the Council's risk management approach across all strategic, operational and partnership working.</li> </ul>	<p>Risks are well managed during transitional and implementation phases. An implementation template has been developed to track implementations and associated risks.</p> <p>Early indications identify that risks are well managed throughout all phases of strategic delivery. Outcomes have been achieved as demonstrated by regular performance monitoring.</p> <p>The Council's Risk Management Policy and Strategy has been reviewed to reflect consistency of approach across all strategic, operational and partnership working.</p>	<p>Open</p> <p>Risks managed well in practice and Policy and Strategy been updated including escalation protocol; however, not yet consistently embedded.</p> <p>New risk register approach for management oversight been developed for regular monitoring.</p>
Ensuring capacity exists to generate the information required to review service quality regularly.	<ul style="list-style-type: none"> <li>Reduction in service quality.</li> <li>Inability to benchmark and compare service quality.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that service reform, succession and workforce planning takes into account information requirements.</li> </ul>	<p>Services review where benchmarking is going to improve information to inform service quality.</p> <p>The Council has corporate membership of APSE Performance Networks and other benchmarking bodies providing the opportunity for a high number of services to benchmark.</p>	<p>Open</p> <p>Improvements made during 2018/19. However, risk to be kept open for further improvement.</p>
Developing and maintaining an effective	<ul style="list-style-type: none"> <li>Sustainability of service provision.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce planning for senior levels within each</li> </ul>	<p>Comprehensive workforce planning continues to be carried out across</p>	<p>Open</p>



## ANNUAL GOVERNANCE STATEMENT

(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
workforce plan to enhance strategic allocation of resources.	<ul style="list-style-type: none"> <li>Ineffective allocation of resources.</li> <li>Reputational damage following reduction in quality of service.</li> </ul>	<ul style="list-style-type: none"> <li>portfolio assessing workforce demographics, changing requirements and market demand.</li> <li>Development of a succession plan, identifying areas of talent and additional support for growth and continued service delivery.</li> </ul>	the Council. The risk to the sustainability of service provision remains moderate.	Improvements made during 2018/19. However, risk to be kept open for further improvement.
Effective arrangements for safe collection, storage, use and sharing data.	<ul style="list-style-type: none"> <li>Legal challenge and fines.</li> <li>Personal confidentiality breached.</li> </ul>	<ul style="list-style-type: none"> <li>Provision of clear guidelines, awareness and appropriate training.</li> <li>Oversight and supervision arrangements of managers.</li> </ul>	Policies and procedures remain in place covering all aspects of data protection. These have been reviewed as part of the implementation of the General Data Protection Regulation (GDPR) From May 2019 the financial penalties increased to 20 million Euros and data subjects can seek compensation. Despite mitigation the risk of legal challenges and fines relating to a breach of data protection remains a risk for the Council.	<p>Open</p> <p>Significant progress has been made in developing protocols etc and in monitoring arrangements.</p> <p>Needs to remain open as insufficient evidence that all is embedded consistently across all portfolios.</p>
Performance management: (Identified by Overview and Scrutiny Committee chair).	<ul style="list-style-type: none"> <li>Council's approach to performance management and monitoring is not fully understood;</li> </ul>	<ul style="list-style-type: none"> <li>Member workshop: understanding the Council's performance management approach</li> </ul>	A workshop explaining the Council Plan and it's measures in relation to performance management was held in 2018.	<p>Open</p> <p>Additional workshops focussing on the Council</p>

## ANNUAL GOVERNANCE STATEMENT

(i)	Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
		leading to ineffective challenge and scrutiny.	and supporting systems.		Plan 2019/20 and performance management to be held during 2019.
	Agreed actions within the Red / limited (4) assurance Internal Audit reports are implemented.	<ul style="list-style-type: none"> <li>Failure to address control and governance issues identified as part of the audit work undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed action plans in place to address the findings, including the establishment of a joint audit and scrutiny liaison group.</li> </ul>	Joint Audit and Scrutiny Liaison Group established.	<p>Open</p> <p>Liaison group in early stages; further development needed to secure outcomes.</p>

## ANNUAL GOVERNANCE STATEMENT

(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
<b>Supportive Council:</b> Availability of sufficient funding to resource key priorities – with particular reference to Disabled Facilities Grants (DFGs).	<ul style="list-style-type: none"> <li>• Demand for DFGs and adaptations are not met due to budget availability.</li> <li>• DFGs are not delivered in a timely manner; under-performance nationally.</li> </ul>	<ul style="list-style-type: none"> <li>• Response to Internal Audit recommendations to improve processes.</li> </ul>	Oversight Board established to review and monitor progress. Improvements in process and timeliness evidenced in last half of the year.	Open  Ensure improvements continue during 2019/20.
<b>Supportive Council:</b> Demand outstrips supply for residential and nursing home care bed availability.	<ul style="list-style-type: none"> <li>• Lack of residential and nursing home care bed availability leading to more hospital stays.</li> <li>• Increased stress on carers.</li> <li>• Primary care resources stretched further.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing.</li> <li>• Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government.</li> <li>• Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.</li> </ul>	The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board.  A review for Programme Board of demand and supply in light of the new capital developments has been undertaken.	Open  Risk rating continued to be high throughout the year.
<b>Supportive Council:</b> <ul style="list-style-type: none"> <li>• Knowledge and awareness of safeguarding not sufficiently developed in</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of optimisation of using the Council's resources and workforce to support safeguarding.</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion of safeguarding in Corporate Induction.</li> <li>• Employee training opportunities provided on</li> </ul>	Safeguarding e-learning model is to be implemented during 2019. Additional training has been made available to the Safeguarding Panel.	Closed  Risk rating has reduced following the

## ANNUAL GOVERNANCE STATEMENT

(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
all portfolios. <ul style="list-style-type: none"> <li>Failure to implement safeguarding training may impact on cases not being recognised at an early stage.</li> </ul>		a regular basis. <ul style="list-style-type: none"> <li>Mentor support provided by senior managers and link officers.</li> </ul>	Periodic Safeguarding bulletins are published alongside regular workforce news items.	implementation of the mitigating actions.
<b>Learning Council:</b> Numbers of school places not matching the changing demographics.	<ul style="list-style-type: none"> <li>Unfilled school places do not meet national targets.</li> <li>Increased repair and maintenance burden.</li> </ul>	<ul style="list-style-type: none"> <li>School modernisation programme.</li> <li>Council and schools work to consider innovative ways for reduction in capacity.</li> </ul>	Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme.	Closed  Risk level reduced from 'red' due to progression of the school modernisation programme.
<b>Learning Council:</b> Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets.	Fabric of Education and Youth buildings will continue to decline leading to an increase in health and safety issues and imbalance between surplus and unfilled places.	<ul style="list-style-type: none"> <li>Condition surveys continue to identify priorities for investment.</li> <li>Implement County Policy for School re-organisation and modernisation.</li> </ul>	The School Modernisation Programme is one of the strategic options to address the repairs and maintenance backlog.  Capital business cases for improvement and repair and maintenance projects in schools are considered through the Council's business case process.	Open  This continues to be a financial risk to support the school infrastructure.
<b>Learning Council:</b>	Reductions to Education Improvement Grant and	<ul style="list-style-type: none"> <li>Collective working with Head Federations to</li> </ul>	Was a live and significant risk to grant funding for education at	Closed

## ANNUAL GOVERNANCE STATEMENT

(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
Sustainability of funding streams.	other grants at short notice lead to reduced service delivery, when demand for pupil support is increasing.	consider options and opportunities. • Internal and external campaigning for a reversal of WG policy.	the start of the year. Some of the areas of concern included: • Clarity of Teachers' Pay Award for 19/20. • Teachers' employers' pensions cost. • MEAG (Minority Ethnic Achievement Grant).	Confirmation of funding streams during the year has reduced this risk.
<b>Green Council:</b> Funding will not be secured for priority flood alleviation schemes.	Flood alleviation schemes will not be delivered leading to increased risks of damage to infrastructure and community disturbance.	Review our approach to funding capital projects.	Flintshire's local risk management strategy contains an action to 'identify projects and programmes that are affordable, maximising capital funding from internal and external sources'.  A service review is intended to create a more effective approach / structure that balances the ability to secure funding for flood alleviation works with the delivery of statutory duties under the Flood and Water Management Act.	Open  New Strategic Urban Drainage Scheme (SUDS) legislation needs to be implemented.  Due to increase pressure of statutory duties the status of risks still lie within the red RAG rating.
<b>Green Council:</b> Adverse weather conditions on the highway network.	• Road conditions across the Council are adversely affected.	• Resurfacing and permanent patching schemes prioritised for summer	The previous year's increase in risk has been mitigated by a number of schemes of works	Closed  Planned maintenance

## ANNUAL GOVERNANCE STATEMENT

(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
		period. • Timely responses to repair network as defects identified.	that have been undertaken to improve the condition of the carriageway overall. Repairing the Council's roads is a priority for the service and resources were provided to identify and then prioritise the roads in need of repair.	works during the year have reduced the significance of this risk.
<b>Serving Council:</b> The scale of the financial challenge.	The Council has insufficient funding to meet its priorities and obligations.	• The Council's Medium Term Financial Strategy and efficiency programme. • National negotiations on local government funding.	The Council's budget setting process and management of the Medium Term Financial Strategy enabled the Council to set a balanced budget for 2019/20.  The future of Council funding however, remains uncertain.	Open  The initial forecast for 2019/20 was considered by Cabinet in April 2019 and will continue to be closely monitored.

Those risks closed are shown in blue text

## What are the significant governance and strategic issues identified during 2018/19?

The review of the effectiveness of the Council's governance framework has identified the following significant issues that will need to be addressed during 2019/20. These are categorised as:

- i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council.

NOTE: Issues marked \* have been retained as high profile for further work, even though the risk score was 3 or above.

Issues marked # show risk issues which have increased in risk significance, even though they still retained a score of 3 or above

- ii) Strategic Council Plan issues – those that have been identified as part of the Council Plan for 2018/19 which remain un-mitigated i.e. a 'Red' risk status.

i) Internal Council Governance issues for 2018/19	Risk	Mitigation
(A1,A2,A3) Behaving with integrity. # (E54) Developing the capability of the entity's leadership and other individuals – developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. #	<ul style="list-style-type: none"> <li>Protecting the reputation of the Council.</li> <li>Members not leading by example on the values for the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Refresh training and advice.</li> <li>Sustained work with Group Leaders and the Chair of the Council.</li> <li>The Council has approved the Flintshire Standard which sets expectations about behaviour.</li> <li>The Council regularly sends members on the WLGA Leadership Programme which will explain the roles of elected members and officers.</li> <li>There is a process of induction for councillors who are new to positions of responsibility within the Council (e.g. committee chair or cabinet member). This explains the remits of</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

i) Internal Council Governance issues for 2018/19	Risk	Mitigation
		<p>elected councillors and officers.</p> <ul style="list-style-type: none"> <li>• Council procedures further reinforce the respective roles.</li> </ul>
(A8) Demonstrating strong commitment to ethical values. #	<ul style="list-style-type: none"> <li>• Under realisation of external service providers to provide social value benefits that communities can gain from.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of expectations of external providers, both voluntary and contractual, as part of the implementation of a new Social Value Strategy (endorsed Cabinet March 2019).</li> <li>• Initial focus is to generate social value through procurement.</li> </ul>
<p>(B23,24,25) Engaging stakeholder effectively, including individuals citizens and service users. *</p> <p>(E61) Developing the capability of the entity's leadership and other individuals – ensure that there are structures in place to encourage public participation. *</p> <p>(F69) Managing performance – making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. *</p>	<ul style="list-style-type: none"> <li>• Ensuring that impacts, both negative and positive are fully understood when making Council decisions.</li> <li>• Public participation is not built into consultation and communication strategies, leading to mis-communication and difficulties in implementing change.</li> </ul>	<ul style="list-style-type: none"> <li>• Template and guidance for all committee reports to ensure that both communications and risk are comprehensively considered and reported on as part of the Integrated Impact Assessment. Captures specific issues which may be of consequence for protected groups and other issues of impact need to be considered and captured.</li> <li>• New format for reporting to be introduced Summer 2019.</li> <li>• Increased use of tools such as Gov. Delivery and Customer Accounts.</li> </ul>
(C27,29) Defining outcomes in terms of sustainable economic, social and	<ul style="list-style-type: none"> <li>• Expectations of delivery in accordance with the Future Generations and Wellbeing Act</li> </ul>	<ul style="list-style-type: none"> <li>• Part of the review of the Council Plan 2019/20 and the review of the current set of Well-Being Objectives (both due to be reported in</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

i) Internal Council Governance issues for 2018/19	Risk	Mitigation
environmental benefits. #	<p>have been raised.</p> <ul style="list-style-type: none"> <li>• Service planning does not take into account service user's needs in the future.</li> <li>• Legal and or judicial challenges.</li> </ul>	<p>June/July 2019).</p> <ul style="list-style-type: none"> <li>• Reflect within provisions made in the Medium Term Financial Strategy.</li> </ul>
(C30,31) Defining outcomes – identifying and managing risks to the achievement of outcomes and making best use of the resources available. *	<ul style="list-style-type: none"> <li>• Risk management not fully related to the achievements of all that we do.</li> <li>• Inconsistent application of the risk management strategy across all portfolios.</li> <li>• Risks are not mitigated during transitional or implementation phases.</li> <li>• Outcomes are under-achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement still needed in this area to ensure that risk management is related fully and comprehensively to the achievement of outcomes in all that we do.</li> <li>• Ensure that within the new risk register that arrangements are in place to risk assess the achievement of outcomes.</li> </ul>
<p>(D38,39) Planning interventions – establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. *</p> <p>Planning interventions – Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered. *</p>	<ul style="list-style-type: none"> <li>• Inconsistent application of planning methodologies to ensure effective delivery of outcomes.</li> <li>• Ensuring that impacts, both negative and positive are fully understood when making Council decisions.</li> <li>• Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change.</li> <li>• Lack of structures to encourage public participation.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide and apply a comprehensive set of tools and guidance to ensure that strategic and operational plans are maintained to inform other strategies such as the MTFS.</li> </ul>
(D43) Planning interventions –	<ul style="list-style-type: none"> <li>• Lack of appropriate information to inform</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the information available to inform</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Page 146

i) Internal Council Governance issues for 2018/19	Risk	Mitigation
Ensuring capacity exists to generate the information required to review service quality regularly. *	service quality and policy decisions.	service quality, as part of the Members' Workshop on Performance Management.
(E53) Developing the entity's capacity – Developing and maintaining an effective workforce plan to enhance strategic allocation of resources. *	<ul style="list-style-type: none"> <li>• Sustainability of service provision.</li> <li>• Ineffective allocation of resources.</li> <li>• Reputational damage following reduction in quality of service.</li> </ul>	<ul style="list-style-type: none"> <li>• Whilst the Council already has individual Portfolio workforce plans, these need to be consolidated into one Council workforce plan in accordance with the People Strategy.</li> </ul>
(E58) Developing the capability of the entity's leadership and other individuals – Ensuring employees have access to appropriate induction, with ongoing training and development matching individual and organisational requirements is available and encouraged. *	<ul style="list-style-type: none"> <li>• Employees unable to carry out their roles effectively following recruitment.</li> <li>• Employees not provided with the values and objectives of the organisation.</li> <li>• Changes to policies, technologies, practices, legislation not understood; leading to inefficiency and under productivity.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that Induction sessions are carried out in a timely fashion and that all new employees attend.</li> <li>• Introduce monitoring of the corporate induction process as a quarterly report to CRO&amp;SC and Cabinet to monitor effectiveness and ensure compliance.</li> </ul>
(E64) Developing the capability of the entity's leadership and other individuals – Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. *	<ul style="list-style-type: none"> <li>• Resilience of workforce is impacted by capacity and changing demands.</li> </ul>	<ul style="list-style-type: none"> <li>• Next stage of development of the Mental Health and Wellbeing Plan for the workforce as one of the commitments within the People Strategy.</li> </ul>
(F68,F69) Managing performance – Monitoring service delivery effectively including planning, specification,	<ul style="list-style-type: none"> <li>• Outcomes following implementation may not have been delivered.</li> <li>• Lessons not learned nor shared.</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion of post implementation reviews in Scrutiny Forward Work Programmes.</li> <li>• Work with Scrutiny Chairs and vice-chairs and</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

Page 147

i) Internal Council Governance issues for 2018/19	Risk	Mitigation
execution and independent post implementation review. *		<p>the Liaison Group to ensure that risks and performance are 'cornerstone' items of O&amp;S FWP.</p> <ul style="list-style-type: none"> <li>• Ensure risks are adequately covered in committee reports.</li> <li>• Brief committees on risk issues using half hour slots before meetings where necessary.</li> </ul>
(F71) Managing performance – Providing members and senior management with regular reports on service delivery and on progress towards outcome achievement. *	<ul style="list-style-type: none"> <li>• Lack of timeliness of reporting leading to out of date information upon which to make decisions / assess risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue with Council Plan reporting on historical factual information within 2 months of the quarterly period, but with current updates contained within the report.</li> <li>• Use of the most up to date data to inform reports for decision making.</li> <li>• Members to be involved in what is valuable to be measured within portfolios (Performance Management workshop).</li> </ul>
(F78) Managing Data – Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used. *	<ul style="list-style-type: none"> <li>• Legal challenge and fines.</li> <li>• Personal confidentiality breached.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue with monitoring processes and procedures set out for compliance with GDPR, until evidence that consistent approaches are being undertaken in each portfolio.</li> </ul>
Agreed actions within the Red / limited (2) assurance Internal Audit reports are implemented.	<ul style="list-style-type: none"> <li>• Failure to address control and governance issues identified as part of the audit work undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed actions plan in place to address the finding.</li> </ul>

ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation
<b>Supportive Council</b> Debt levels will rise if tenants are unable to afford to pay their rent or council tax.	<ul style="list-style-type: none"> <li>• Council will not recover income to offset costs.</li> <li>• Tenants will fall into more categories of debt.</li> <li>• Potential rise in homelessness presentations.</li> </ul>	<ul style="list-style-type: none"> <li>• Early intervention for tenants claiming Universal Credit to tackle rent arrears and encourage payment of rent.</li> <li>• Avoid new or escalating arrears to ensure that homelessness is prevented where possible.</li> </ul>
<b>Supportive Council</b> Demand outstrips supply for residential and nursing home care bed availability.	<ul style="list-style-type: none"> <li>• Lack of residential and nursing home care bed availability leading to more hospital stays.</li> <li>• Increased stress on carers.</li> <li>• Primary care resources stretched further .</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing.</li> <li>• Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government.</li> <li>• Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.</li> </ul>
<b>Learning Council</b> Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.	<ul style="list-style-type: none"> <li>• The fabric of Education and Youth buildings will continue to decline.</li> </ul>	<ul style="list-style-type: none"> <li>• Condition surveys identify priorities for investment. County policy for school re-organisation.</li> </ul>
<b>Green Council</b> Funding will not be secured for	<ul style="list-style-type: none"> <li>• Inability to secure the WG grant funding and/or FCC capital funding necessary to</li> </ul>	<ul style="list-style-type: none"> <li>• Review our approach to funding capital projects.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation
priority flood alleviation schemes.	deliver priority flood alleviation schemes.	
<b>Serving Council</b> The scale of the financial challenge.	<ul style="list-style-type: none"> <li>Reduction in funding of Revenue Support Grant leading to challenging financial position for the Council in its ability to set a balanced budget.</li> </ul>	<ul style="list-style-type: none"> <li>The Medium Term Financial Strategy (MTFS) continues to be reviewed to forecast the financial resources to be available to the Council during the period based on the best available intelligence and identification of solutions available.</li> <li>National and local solutions for addressing the budget gap continue to be explored.</li> </ul>

## Certification

The review provides good overall assurance that Flintshire County Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework requirements for Local Authorities within Wales.

Opportunities to maintain and develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Page 150 Signed on behalf of Flintshire County Council

**Colin Everett – Chief Executive**

**Cllr. Ian B Roberts – Leader of the Council**

## Flintshire County Council Corporate Governance Framework

### Principal Statutory Obligations and Organisational Objectives

Behaving with integrity, demonstrating strong commitment to ethical values & respecting the rule of the Law

Ensuring Openness & Comprehensive Stakeholder Engagement

Defining Outcomes in terms of Sustainable Economic, Social & Environmental Benefits

Determining the Interventions to optimise the achievements of the intended outcomes

Developing the Council's capacity, including capability of its leadership & individuals within it

Managing risks & performance through robust internal control & strong financial management

Implementing good practices in transparency, reporting & audit to deliver effective accountability

Assurance Statement

Corporate Governance comprises the systems and processes, cultures and values, by which Flintshire County Council are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

#### Public Key Documents: Annual Review / Production

- Annual Governance Statement
- Annual Outturn Finance Report
- Annual Performance Report
- Annual Information Governance Statement
- Capital Strategy and Asset Management Plan
- Code of Corporate Governance
- Code of Ethical Practice on Procurement
- Contract Procedure Rules
- Digital Strategy
- Financial Regulations
- Council Plan
- Medium Term Financial Strategy
- Members' Allowance Scheme
- Overview and Scrutiny Annual Report
- People Strategy
- Portfolio Business Plans
- Public Services Board Wellbeing Plan
- Statement of Accounts
- Strategic Equality Plan
- Strategic Risk Register
- Treasury Management Strategy
- Annual Audit Report

#### Key Documents: Ad-hoc Review / Production

- Anti-Fraud Work plan
- Business Continuity Plans
- Communications Principles
- Constitution
- Data Protection Policy
- Equality and Diversity Policies
- HR Policies
- Health & Safety Policies
- Internal/External Audit Protocol
- IT Policies
- Members Code of Conduct
- Officers Code of Conduct
- Procurement Strategy
- Social Media Policy
- Welsh Language Standards
- Whistle Blowing Policy

#### Contributing Processes Regulatory Monitoring

- Appraisal and Supervision
- Attendance management
- Audit Committee
- Budget Monitoring Reports
- Comments, Complaints and Compliments
- Corporate Governance
- Corporate Health & Safety
- Council (Plan) Governance Framework
- Council Meetings
- Engagement and Consultation
- External Audit
- FCC Web site
- Induction
- Inspectorate Reports
- Internal Audit
- Job Descriptions
- Manager Toolkits
- Member Training
- Monitoring Officer
- Partnership Self Assessments
- Performance Management
- Risk Management
- Scrutiny Framework
- Staff induction
- Your Council newsletter

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# Audit of the Group Financial Statements 2018-19

Flintshire County Council

Page 153

STATEMENT OF ACCOUNTS

DRAFT

2018-19



# Overall findings

The Auditor General intends to issue an **unqualified audit report** on the 2018-19 group financial statements of Flintshire County Council

Page 154

We concluded that:

- The financial statements were produced to a good standard and were supported by comprehensive working papers.
- There are no uncorrected misstatements.
- There are some issues to report to you, as those charged with governance, prior to their approval.

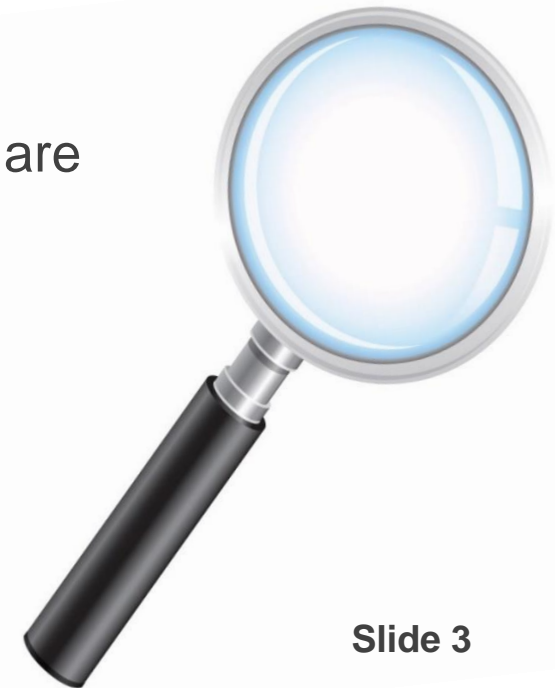
# Auditor General's responsibilities

**Responsibility** - the Auditor General (Appointed Auditor) is responsible for providing an opinion on the financial statements:

- Give a true and fair view of the financial position.
- Are prepared in accordance with the CIPFA Code of Practice.

**Materiality** - we adopt a concept of materiality, and are not giving absolute assurance.

- The quantitative materiality determined for audit of the group financial statement is £4.2 million.



# Audit Position

## Status of the audit

- The financial statements were received on the 7 June 2019, one week earlier than last year and one week before the statutory deadline.
- The audit was largely completed by 23 August 2019, three weeks earlier than the statutory deadline.
- The Appointed Auditor will give his audit opinion and certificate following approval by the County Council and receipt of the signed Letter of Representation.

# Issues arising from the audit

## Property, plant & equipment and investment property

Difficulties were encountered with testing the Council's land and buildings assets resulting in our work taking longer than planned as:

Page 157

- Working papers produced by the Valuation and Estates team were inconsistent and not subject to effective quality assurance checking.
- Errors in the use of source data when producing land and buildings valuations.
- Slow responses to audit queries.

# Issues Arising from the Audit

**There was one material amendment** as a consequence of the 'McCloud' judgement:

- In December 2018, the Court of Appeal ruled against the Government concluding that changes made to pension schemes discriminated against a group of public officers on the grounds of age.
- The cost of providing a remedy to affected employees is likely to be significant for public sector pension schemes.
- The financial impact of this legal judgement has been calculated by the Council in conjunction with the Clwyd Pension Fund Actuary, resulting in an additional liability of £12 million.

The covering report of the Corporate Finance Manager also contains a **number of other non material misstatements that have been corrected by management.**

# Independence

**We have mitigated the known threats to the independence of the Auditor General and his staff:**

Page 159

- Our audit plan highlighted that one member of the audit team had a family member employed as a teacher at the Council.
- We confirm the team member has not been involved at any work relating to the school or any specific examination of the education service and its payroll transactions.

# Looking ahead

## The Council is well placed to meet the earlier statutory deadline from 2020-21

- The Council prepared its draft 2018-19 financial statements in advance of the statutory deadline.
- We'll work with the Council as it plans a 'dry run' in 2019-20 for producing its draft financial statements by 31 May 2020 and concluding our audit by 31 July 2020.

Annual financial statements	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2018-19	15 June 2019	15 September 2019 ✓
2019-20	15 June 2020	15 September 2020 <b>Dry run</b>
2020-21 and thereafter	31 May 2021	31 July 2021



**STATEMENT OF ACCOUNTS 2018/19 – SCHEDULE OF AMENDMENTS**

The table below summarises the issues arising during the audit of the 2018/19 draft Statement of Accounts and corrections and amendments made as a result, which under ISA 260 should be drawn to the attention of Members. The changes have been made to the final version of the Statement of Accounts.

<b>Amendment / Correction</b>	<b>Reason</b>	<b>Impact on Statement of Accounts</b>
Estimated pension past service cost increased by £10.649m, and pensions assets reduced by £2.054m. Matched with an overall increase in the pension liability recorded in the balance sheet of £12.703m.	The UK government lost its right of appeal against a Judgement known as the 'McCloud' Judgement which will impact on all Public Service Pension Schemes. The ruling found that transitional protections to older members of pension's schemes constituted unlawful age discrimination.	The total Comprehensive Income and Expenditure increased by £12.703m, matched with an increase in the Pension Liability in the Balance Sheet. Corresponding adjustments have been made to the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Cash Flow Statement, the Group Accounts and associated notes.
Surplus Assets were reduced by £0.785m, and Other Land and Buildings by £0.135m in the Balance Sheet.	In reviewing land transactions associated with housing development, 5 land sites were found to have historical valuations included in Surplus Assets / Other Land and Buildings dating back to 2014/15 and 2015/16. These sites have since been developed as new HRA dwellings and have been included in the Council Dwellings figure in 2016/17, 2017/18 and 2018/19. The historical land valuations should have been written out in the year the housing development was accounted for.	Non-current Assets within the Balance sheet have been reduced by £0.920m, matched with an increase in the total Comprehensive Income and Expenditure. Corresponding adjustments have been made to the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Cash Flow Statement, the Group Accounts and associated notes.
Additional Note 43 included to reflect impact of prior period adjustment on the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis.	At the start of the 2018/19 financial year the reporting segments (service portfolios) used to report the Council's revenue budget monitoring position changed to reflect changes in responsibility at Chief Officer Level. Changes to match were made to the financial statements along with the prior year comparators. For completeness and compliance with the Code of Practice the original 2017/18 figures need to be included.	The Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement and Group Comprehensive Income and Expenditure Statement as stated in Statement of Accounts 2017/18 presented in Note 43 for information.  Presentation disclosure only.

Correction of banding in Members' Allowance Note in financial year 2018/19 and 2017/18.	Error in producing the Members' Allowance Note 27.	No other impact on the financial statements.  Presentational disclosure only.
Future Capital Commitments – Note 38. Removal of amounts included for Welsh Housing Quality Standard (WHQS), and replace with a narrative statement.	In reviewing the supporting evidence to the note it was found that whilst the Council has strategic plans in place to complete WHQS by 2020, and the Council has tendered and agreed price schedules with contractors it is not financially or contractually committed to the volumes planned.	No other impact on the financial statements.  Presentational disclosure only.

Auditor General for Wales,  
Wales Audit Office,  
24 Cathedral Road,  
Cardiff.  
CF11 9LJ

Your Ref/Eich Cyl  
Our Ref/Ein Cyf LOR 18.19  
Date/Dyddiad 11 September 2019  
Ask for/Gofynner am Liz Thomas  
Direct Dial/Rhif Union 01352 702289  
Fax/Ffacs

Dear Sir,

### **Representations Regarding the 2018/19 Financial Statements**

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council and of its Group for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation. We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### **Management Representations**

#### **Responsibilities**

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

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[www.flintshire.gov.uk](http://www.flintshire.gov.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NB  
[www.siryfflint.gov.uk](http://www.siryfflint.gov.uk)

## **Information Provided**

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## **Financial Statement Representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements. The effect of the uncorrected misstatements identified during the audit is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Representations by Flintshire County Council**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 11 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

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

**Councillor Marion Bateman**  
**Chair of Flintshire County Council**

Date: 11<sup>th</sup> September 2019

Date: 11<sup>th</sup> September 2019

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 11 September 2019
<b>Report Subject</b>	Annual Improvement Report 2018/19 of the Auditor General for Wales
<b>Cabinet Member</b>	Cabinet Member for Corporate Management and Assets
<b>Report Author</b>	Chief Executive
<b>Type of Report</b>	Strategic

## EXECUTIVE SUMMARY

This Annual Improvement Report (AIR) summarises the audit and regulatory work undertaken at the Council by the Wales Audit Office since the last report was published in November 2018.

Overall the Auditor General for Wales has reached a positive conclusion. *“The Council is meeting its statutory requirements in relation to continuous improvement but, as with all councils in Wales, it faces challenges going forward.”*

No formal recommendations have been made during the year.

There are a number of new voluntary proposals for improvement arising from two of the reviews undertaken by the Wales Audit Office.

## RECOMMENDATIONS

1.	To be assured by the Auditor General for Wales' Annual Improvement Report for 2018/19.
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## **REPORT DETAILS**

<b>1.00</b>	<b>The Annual Improvement Report</b>
1.01	The Auditor General under the Local Government (Wales) Measure 2009 (Measure) undertakes and publishes an annual improvement report for all Welsh Councils, Fire and Rescue Authorities and National Park Authorities.
1.02	This is the ninth Annual Improvement Report for Flintshire. This year's report is a summary of the audit, regulatory and inspection work carried out in 2018/19.
1.04	Overall the Auditor General has concluded that:  <i>"The Council is meeting its statutory requirements in relation to continuous improvement but, as with all councils in Wales, it faces challenges going forward."</i>
1.05	The Auditor General has not made any statutory recommendations with which the Council must comply.
1.06	<p>There are a number of new voluntary proposals for improvement in two of the reviews undertaken, namely; "Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations - Examination of The Green Council: maximising the recovery and recycling of waste" and "Local government use of data local report".</p> <p>The proposals for improvement are contained in the Appendix and the embodied link.</p> <p>As part of our established protocol, all proposals for improvement from regulatory reports (both local and national) are assessed to establish if further improvements need to be undertaken.</p> <p>The Council's response to these proposals for improvement is contained within Appendix 2.</p>

<b>2.0</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no specific resource implications as part of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<p>Cabinet have received this report and endorsed the Council response. They will continue to receive future reports relating to external regulatory work as part of their Forward Work programme.</p> <p>Audit Committee will receive this report as part of their assurance work in September.</p>



	Corporate Resources Overview and Scrutiny Committee will receive this report as part of their scrutiny role in September.
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<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Findings from the Wales Audit Office are risk managed as part of regular monitoring.

<b>5.00</b>	<b>APPENDICES</b>
5.01	<b>Appendix 1:</b> Annual Improvement Report June 2019 <b>Appendix 2:</b> Proposals for Improvement and the Council's response

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer <b>Telephone:</b> 01352 702740 <b>E-mail:</b> <a href="mailto:karen.armstrong@flintshire.gov.uk">karen.armstrong@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Annual Improvement Report:</b> The Annual Improvement Report is publicised by the Wales Audit Office (WAO) on behalf of the Auditor General for Wales. It brings together, with the input of other inspectorates such as Estyn and the Care and Social Services Inspectorate for Wales (CSSIW), a summary of the regulatory work of the past year.
7.02	<b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

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WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

# Annual Improvement Report

## Flintshire County Council

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Gwilym Bury, Charlotte Owen, and Jeremy Evans under the direction of Huw Rees.

**Adrian Crompton**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

# Contents

Summary report	
2018-19 performance audit work	4
The Council is meeting its statutory requirements in relation to continuous improvement but, as with all councils in Wales, it faces challenges going forward	4
Recommendations and proposals for improvement	4
Audit, regulatory and inspection work reported during 2018-19	6
<b>Appendices</b>	
Appendix 1 – status of this report	12
Appendix 2 – Annual Audit Letter	13
Appendix 3 – national report recommendations 2018-19	16

# Summary report

## 2018-19 performance audit work

- 1 To decide the range and nature of the work we would undertake during the year, we considered how much we already know from all previous audit and inspection work and from other sources of information including Flintshire County Council's (the Council) own mechanisms for review and evaluation. For 2018-19, we undertook improvement assessment work; an assurance and risk assessment project and work in relation to the Well-being of Future Generations Act at all councils. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2018-19.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 2](#).

## The Council is meeting its statutory requirements in relation to continuous improvement but, as with all councils in Wales, it faces challenges going forward

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20. However, all councils face significant financial pressures which will need continued attention in the short and medium term to enable them to reach a stable and sustainable position.

## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, publish a report and make recommendations; and

- recommend to ministers of the Welsh Government that they intervene in some way.

5 During the course of the year, the Auditor General did not make any formal recommendations. However, we have made a number of proposals for improvement and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2018-19

Exhibit 1: audit, regulatory and inspection work reported during 2018-19

Description of the work carried out since the last Annual Improvement Report, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
February 2019	<p><b>Assurance and Risk Assessment</b> Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council:</p> <ul style="list-style-type: none"> <li>• putting in place proper arrangements to secure value for money in the use of resources;</li> <li>• putting in place arrangements to secure continuous improvement; and</li> <li>• acting in accordance with the sustainable development principle in setting wellbeing objectives and taking steps to meet them.</li> </ul>	<p><b>Arising from our review and discussions with the Council, we identified the following challenges for the Council for inclusion in our 2019-20 audit programme<sup>1</sup>:</b></p> <ul style="list-style-type: none"> <li>• Assurance and Risk Assessment: to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</li> <li>• Financial sustainability: a project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.</li> <li>• Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations: Focus on the creativity, capacity and rigour of partnership governance and management arrangements to consider the WFG Act (by using the PSB and one or more of their shared work programmes as a reference).</li> <li>• Rent arrears: a review to look at the Council's strategy for stabilising and recovering Council tenant rent arrears and its work on administering Discretionary Housing Payments.</li> <li>• Digital: A diagnostic study on the Council's overall planning and the sufficiency of resources to achieve the deliverables.</li> </ul>	Not applicable

<sup>1</sup> Subject to change should any matters of risk arise in year



Issue date	Brief description	Conclusions	Proposals for improvement
February 2019	<p><b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b></p> <p>Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking the following step: 'Examination of The Green Council: maximising the recovery and recycling of waste'.</p>	<p><b>The Council has mainly acted in accordance with the sustainable development principle in setting the 'step' and has generally taken account of the five ways of working in the actions it is taking to deliver it:</b></p> <ul style="list-style-type: none"> <li>• The Council needs to do more to balance current and long-term needs within the national and local context.</li> <li>• The Council understands the environmental and financial impacts of inaction and has considered how its actions can prevent these problems worsening.</li> <li>• The Council has considered how the step supports its well-being objective of a 'Green Council' and the Welsh Government's waste strategy, but it is not clear if the Council has actively considered how the step impacts on its other well-being objectives or those of other bodies.</li> <li>• The Council is collaborating with key stakeholders across north Wales to deliver its objectives and recognises there is potential to work more closely.</li> <li>• Whilst there are positive examples of stakeholder involvement, the Council could involve the public at an earlier stage and produce comprehensive equality impact assessments for all policy decisions on major service changes.</li> </ul>	<p>The Council elected to undertake a number of actions as a results of the review, these are detailed <a href="#">in our full report</a>.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
November 2018	<p><b>Annual Audit Letter 2017-18</b></p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <b>Appendix 2</b> of this report.</p>	<ul style="list-style-type: none"> <li>• The Council complied with its responsibilities relating to financial reporting and use of resources.</li> <li>• I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</li> <li>• My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2018-19 accounts or key financial systems.</li> <li>• The Council has a track record of managing its finances, but the significant financial challenge will continue over the medium term.</li> </ul>	None

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
December 2018	<b>Local government use of data local report</b>	The accompanying national report to the local report concluded that local authorities across Wales are slow to develop a culture that values and uses data effectively to improve services and outcomes.	<p>P1 The Authority needs to develop a more unified and corporate approach to using data. It can do this by:</p> <ul style="list-style-type: none"> <li>continuing to embed its 'tell us once' project and build on the integration of datasets as was done with the datasets which informed the Council Plan. More generally, data tool respondents feel the Authority lacks a corporate ownership of data projects. A change in culture and a stronger leadership on data will support the creation of an environment that treats data as a key resource. This will help to extend the benefits of data-led decisions to all service areas.</li> </ul> <p>P2 The Authority collects data at almost every interaction with its citizens, whether face to face, over the phone or on social media and it needs to ensure it continues to protect the information it holds whilst making the best use of this wealth of data. Updating data sharing protocols and providing refresher training – focusing on what people can do rather than what they cannot do – will help to ensure that service managers know when and what they can share, thereby helping to make better use of shared data.</p> <p>P3 Our national report highlights Flintshire County Council's approach to building capacity and driving a more collaborative culture across the county. Whilst the Digital Flintshire 2017-2022 strategy outlines how digital information and technology will be used to support the Authority's improvement priorities and strategic plans, and ensuring customers have the digital skills to access services and information online, having the right staff with the right skills to turn its wealth of data into usable evidence remains a challenge. Indeed, ensuring adequate resources and sufficient capacity are ongoing challenges for all local authorities. A significant proportion who responded to our data tool do not believe the Authority has sufficient staff with the skills to maximise the use of data. Without upskilling staff to make better use of data the Authority risks missing opportunities to better use data to improve its efficiency and effectiveness. Investing to make better use of data will result in better outcomes for citizens and create long-term efficiencies for the Authority. The Well-being of Future Generations (Wales) Act 2015 provides the perfect impetus for the Authority to think long term.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
December 2018	<b>Local government use of data local report</b>	The accompanying national report to the local report concluded that local authorities across Wales are slow to develop a culture that values and uses data effectively to improve services and outcomes.	P4 Understanding the data and the level of analysis provided to inform business planning and decision making is an area for improvement for all local authorities. The Authority should review the range and quality of the information needed by decision makers and the format it is presented in. This will enable the Authority to set corporate data reporting standards to ensure the data that is presented to senior officer and Elected Members is accessible, easily understandable and equips decision makers to fulfil their responsibilities as effectively as possible.
<b>Improvement planning and reporting</b>			
April 2018	<b>Wales Audit Office annual improvement audit</b> Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Improvement planning and reporting</b>			
October 2018	<b>Wales Audit Office annual assessment of performance audit</b> Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None
<b>Reviews by inspection and regulation bodies</b>			
Care Inspectorate Wales (CIW) and Estyn	<b>There were no other published Flintshire County Council inspections in this period. However Estyn inspected a number of Flintshire schools, and care services that are registered with CiW were subject to inspection.</b>		Not applicable

# Appendix 1

## Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

# Appendix 2

## Annual Audit Letter

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Please contact us in Welsh or English.

Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor Aaron Shotton – Leader  
Colin Everett – Chief Executive  
Flintshire County Council  
County Hall  
Mold  
Flintshire  
CH7 6NB  
Reference: 963A2018-19  
**Date issued:** 30 November 2018

Dear Aaron and Colin

## Annual Audit Letter – Flintshire County Council 2017-18

### The Council complied with its responsibilities relating to financial reporting and use of resources

It is Flintshire County Council's (the Council's) responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare financial statements in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

The draft financial statements were shared with us on 15 June 2018, two weeks earlier than the statutory deadline. Despite the shorter timescale, the draft financial statements were prepared to a good standard and were supported by comprehensive and timely working papers. The key matters arising from the audit of the financial statements were reported to members of the Audit Committee and Council in my Audit of Financial Statements report on 12 September 2018.

On 14 September 2018, I issued an unqualified audit opinion on the group financial statements of the Council confirming that they present a true and fair view of the Council's financial position and transactions. I issued the certificate confirming that the audit of the accounts had been completed on 17 September 2018.

I also received draft financial statements for the Clwyd Pension Fund on 15 June 2018, two weeks ahead of the statutory deadline. The draft financial statements were also prepared to a good standard and I issued an unqualified opinion on the Clwyd Pension Fund financial statements on 7 September 2018.

### **I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General published his Annual Improvement Report in September 2018 and concluded that the Council was meeting its statutory requirements in relation to continuous improvement.

### **My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2018-19 accounts or key financial systems**

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. I will report any key issues to the Audit Committee in my annual Grants Certification report once this year's programme of certification work is complete.

### **The Council has a track record of managing its finances, but the significant financial challenge will continue over the medium term**

Austerity funding remains the most significant challenge facing local government bodies in Wales and these financial pressures are likely to continue for the medium term. The recent provisional local government funding settlement will see the Council's Aggregate External Finance (AEF) decrease by 1.0%.

In 2017-18 Council spend was £1.6 million less than budgeted which was mainly due to the change in the Council's Minimum Revenue Provision which had a positive impact of



£1.4 million. In addition, the Council reported a greater net yield from council tax of £0.5 million, resulting in an overall Council Fund underspend of £2.1 million. At 31 March 2018, the Council had useable reserves of £28.6 million, £13.7 million in the Council Fund reserve and a further £14.9 million in earmarked and locally managed schools' reserves.

In setting its 2018-19 budget, the Council identified the need to make efficiencies and savings of £5.5 million to address its annual funding gap. As at September 2018, the Council reported that it anticipated achieving £5.3 million of the identified savings and was projecting a year-end overspend of £0.2 million without any new actions to reduce cost pressures which the Council is looking to mitigate by the end of the financial year. The Council has reported social services cost pressures, largely due to continuing pressures with Out of County placements, and an overspend in Streetscene and Transportation of £1.1 million.

Since 2008, the Council has reported nearly £85 million of efficiencies and savings. Additional efficiencies and savings will be required in the future, with the Council's latest forward financial plan projecting a revenue funding shortfall of £15.2 million in 2019-20. The Council recognises the significance of its financial position and has adopted a three-stage approach for meeting the challenge, firstly identifying solutions from corporate finance budget and secondly from service budgets. The Council approved Stage 1 and 2 solutions in November 2018, leaving a remaining shortfall of £6.7 million.

The Council is now working on Stage 3 of the approach which predominantly revolves around campaigning for additional funding from the Welsh Government and considerations around the required increase in Council Tax. This represents a significant challenge to the Council in being able to meet its statutory responsibility to set a balanced budget. We will continue to monitor progress over the coming months.

The financial audit fee for 2017-18 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



**Richard Harries**

**Engagement Director**

**For and on behalf of the Auditor General for Wales**

# Appendix 3

## National report recommendations 2018-19

### Exhibit 2: national report recommendations 2018-19

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
October 2018	<u>Procuring Residual and Food Waste Treatment Capacity</u>	<p><b>R1</b> The projections for the three residual waste projects in the Programme assume that, across the 14 councils involved, the overall amount of residual waste will increase through the lifetime of the contracts. If these projections are accurate then something significant would have to occur beyond 2040 to reach zero waste across these council areas by 2050. If the projections are not accurate then there is the risk that councils will pay for capacity they do not need. <b>We recommend that the Welsh Government:</b></p> <ul style="list-style-type: none"><li>• in reviewing the Towards Zero Waste strategy, considers how its ambition of there being no residual waste by 2050 aligns with current projections for residual waste treatment; and</li><li>• works with councils to consider the impact of changes in projections on the likely cost of residual waste projects and any mitigating action needed to manage these costs.</li></ul>

Date of report	Title of review	Recommendation
October 2018	<u>Procuring Residual and Food Waste Treatment Capacity</u>	<p><b>R2</b> The Welsh Government's programme support to date has mainly focused on project development and procurement. Now that most of the projects are operational, the focus has shifted to contract management. <b>We recommend that the Welsh Government continue its oversight of projects during the operational phase by:</b></p> <ul style="list-style-type: none"> <li>• building on its existing model of providing experienced individuals to assist with project development and procurement and making sure input is available to assist with contract management if required;</li> <li>• setting out its expectations of councils regarding contract management;</li> <li>• ensuring partnerships revisit their waste projections and associated risks periodically, for example to reflect updated population projections or economic forecasts; and</li> <li>• obtaining from partnerships basic management information on gate fees paid, amount of waste sent to facilities and quality of contractor service.</li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><b>Local Government Services to Rural Communities</b></u>	<p><b>R1</b> Socio economic change, poor infrastructure and shifts in provision of key services and facilities have resulted in the residualisation of communities in rural Wales. <b>We recommend that Welsh Government support public bodies to deliver a more integrated approach to service delivery in rural areas by:</b></p> <ul style="list-style-type: none"> <li>• refreshing rural grant programmes to create sustainable financial structures, with multi-year allocations; and</li> <li>• helping people and businesses make the most of digital connectivity through targeted and more effective business and adult education support programmes.</li> </ul> <p><b>R2</b> The role of Public Service Boards is evolving but there are opportunities to articulate a clearer and more ambitious shared vision for rural Wales (see paragraphs 2.2 to 2.9 and 2.28 to 2.31). <b>We recommend that PSB public service partners respond more effectively to the challenges faced by rural communities by:</b></p> <ul style="list-style-type: none"> <li>• assessing the strengths and weaknesses of their different rural communities using the Welsh Government's Rural Proofing Tool and identify and agree the local and strategic actions needed to support community sustainability; and</li> <li>• ensuring the Local Well-Being Plan sets out a more optimistic and ambitious vision for 'place' with joint priorities co-produced by partners and with citizens to address agreed challenges.</li> </ul>

Date of report	Title of review	Recommendation
November 2018	<b><u>Local Government Services to Rural Communities</u></b>	<p><b>R3</b> To help sustain rural communities, public services need to think differently in the future (see paragraphs 3.1 to 3.12). <b>We recommend councils provide a more effective response to the challenges faced by rural communities by:</b></p> <ul style="list-style-type: none"> <li>• <b>ensuring service commissioners have cost data and qualitative information on the full range of service options available; and</b></li> <li>• <b>using citizens' views on the availability, affordability, accessibility, adequacy and acceptability of council services to shape the delivery and integration of services.</b></li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><b>Local Government Services to Rural Communities</b></u>	<p><b>R4</b> To help sustain rural communities, public services need to act differently in the future (see paragraphs 3.1 to 3.12). <b>We recommend councils do more to develop community resilience and self-help by:</b></p> <ul style="list-style-type: none"> <li>• working with relevant bodies such as the Wales Co-operative Centre to support social enterprise and more collaborative business models;</li> <li>• providing tailored community outreach for those who face multiple barriers to accessing public services and work;</li> <li>• enhancing and recognising the role of town and community councils by capitalising on their local knowledge and supporting them to do more;</li> <li>• encouraging a more integrated approach to service delivery in rural areas by establishing pan-public service community hubs, networks of expertise, and clusters of advice and prevention services;</li> <li>• enabling local action by supporting community asset transfer identifying which assets are suitable to transfer, and having the right systems in place to make things happen; and</li> <li>• improving community-based leadership by developing networks of interest, training and coaching, and encouraging volunteering.</li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u><b>Waste Management in Wales: Municipal Recycling</b></u>	<p><b>R1</b> Benchmarking work has found that the cost of certain waste management services shows surprising variation (paragraphs 1.31-1.39). <b>The Welsh Government should work with councils to understand better the basis of the variation in spending on waste management services that are fundamentally the same and ensure that waste management costs are accounted for in a consistent way.</b></p> <p><b>R2</b> The Welsh Government believes that, if applied optimally, its Collections Blueprint offers the most cost-effective overall means of collecting recyclable resources but is planning further analysis (paragraphs 1.40-1.51). <b>When undertaking its further analysis to understand better the reasons for differences in councils' reported costs, and the impact on costs where councils have adopted the Collections Blueprint, we recommend that the Welsh Government:</b></p> <ul style="list-style-type: none"> <li>• explores how the cost of collecting dry recyclables may affect the overall cost of providing kerbside waste management services to households; and</li> <li>• compares the actual costs with the costs modelled previously as part of the Welsh Government-commissioned review of the Collections Blueprint for councils that now operate the Collections Blueprint.</li> </ul>

Date of report	Title of review	Recommendation
November 2018	<u>Waste Management in Wales: Municipal Recycling</u>	<p><b>R3</b> The Welsh Government has undertaken to consider alternatives to the current weight-based recycling targets which can better demonstrate the delivery of its ecological footprint and carbon reduction goals (paragraphs 2.38-2.45). <b>We recommend that the Welsh Government replace or complement the current target to recycle, compost and reuse wastes with performance measures to refocus recycling on the waste resources that have the largest impact on carbon reduction, and/or are scarce. We recognise that the Welsh Government may need to consider the affordability of data collection for any alternative means of measurement.</b></p> <p><b>R4</b> In refreshing Towards Zero Waste, the Welsh Government needs to show that wider sustainability benefits sought through municipal recycling offer value and cannot be more readily attained in other ways and at lower cost including, but not necessarily limited to, other waste management interventions (paragraphs 2.52-2.53). <b>The Welsh Government should demonstrate in the revised waste strategy that not only is it possible to recycle a greater proportion of municipal waste, but how doing so maximises its contribution to achieving its sustainable development objectives.</b></p>



Date of report	Title of review	Recommendation
November 2018	<u><b>Provision of Local Government Services to Rural Communities: Community Asset Transfer</b></u>	<p><b>R1</b> Local authorities need to do more to make CATs (Community Asset Transfers) simpler and more appealing, help build the capacity of community and town councils, give them more guidance in raising finance, and look to support other community development models such as social enterprises that support social value and citizen involvement. <b>In addition, we recommend that local authorities monitor and publish CAT numbers and measure the social impact of CATs.</b></p> <p><b>R2</b> Local authorities have significant scope to provide better and more visible help and support before, during, and after the community asset transfer process. <b>We conclude that there is considerable scope to improve the business planning, preparation, and aftercare for community asset transfer. We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• <b>identify community assets transfer's role in establishing community hubs, networks of expertise and clusters of advice and prevention services;</b></li> <li>• <b>work with town and community councils to develop their ability to take on more CATs;</b></li> <li>• <b>identify which assets are suitable to transfer, and clarify what the authority needs to do to enable their transfer;</b></li> <li>• <b>ensure their CAT policy adequately covers aftercare, long term support, post transfer support, signposting access to finance, and sharing the learning about what works well; and</b></li> <li>• <b>support community-based leadership by developing networks of interest, training and coaching, and encouraging volunteering.</b></li> </ul>

Date of report	Title of review	Recommendation
December 2018	<u>The maturity of local government in use of data</u>	<p><b>R1 Part 1 of the report highlights the importance of creating a strong data culture and clear leadership to make better use of data. We recommend that local authorities:</b></p> <ul style="list-style-type: none"> <li>• have a clear vision that treats data as a key resource;</li> <li>• establish corporate data standards and coding that all services use for their core data;</li> <li>• undertake an audit to determine what data is held by services and identify any duplicated records and information requests; and</li> <li>• create a central integrated customer account as a gateway to services.</li> </ul> <p><b>R2 Part 2 of the report notes that whilst it is important that authorities comply with relevant data protection legislation, they also need to share data with partners to ensure citizens receive efficient and effective services. Whilst these two things are not mutually exclusive, uncertainty on data protection responsibilities is resulting in some officers not sharing data, even where there is agreement to provide partners with information. We recommend that authorities:</b></p> <ul style="list-style-type: none"> <li>• provide refresher training to service managers to ensure they know when and what data they can and cannot share; and</li> <li>• review and update data sharing protocols to ensure they support services to deliver their data sharing responsibilities.</li> </ul>

Date of report	Title of review	Recommendation
December 2018	<u>The maturity of local government in use of data</u>	<p><b>R3 In Part 3 of our report, we conclude that adequate resources and sufficient capacity are ongoing challenges. However, without upskilling staff to make better use of data, authorities are missing opportunities to improve their efficiency and effectiveness.</b> We recommend that authorities:</p> <ul style="list-style-type: none"> <li>• identify staff who have a role in analysing and managing data to remove duplication and free up resources to build and develop capacity in data usage; and</li> <li>• invest and support the development of staff data analytical, mining and segmentation skills.</li> </ul> <p><b>R4 Part 4 of our report highlights that authorities have more to do to create a data-driven decision-making culture and to unlock the potential of the data they hold.</b> We recommend that local authorities:</p> <ul style="list-style-type: none"> <li>• set data reporting standards to ensure minimum data standards underpin decision making; and</li> <li>• make more open data available.</li> </ul>

Date of report	Title of review	Recommendation
March 2019	<u>Waste Management in Wales - Preventing waste</u>	<p><b>R1 Increasing the focus on waste prevention to reflect the overall aims of Towards Zero Waste</b></p> <p>Available data on the amount of waste produced suggests mixed progress to deliver the Welsh Government's waste prevention targets. We recommend that the Welsh Government:</p> <ul style="list-style-type: none"> <li>a) revisits the relative priority it gives to recycling and waste prevention as part of its review of Towards Zero Waste;</li> <li>b) sets out clearly the expectations on different organisations and sectors for waste prevention; and</li> <li>c) revisits its overall waste prevention targets and the approach it has taken to monitor them in light of progress to date, examples from other countries and in the context of current projections about waste arising through to 2050.</li> </ul> <p><b>R2 Improving data on commercial, industrial, construction and demolition waste</b></p> <p>The Welsh Government is a partner in initial work to assess the feasibility of developing a new digital solution to track all waste. If this preferred option does not succeed, we recommend that the Welsh Government works with Natural Resources Wales to explore the costs and benefits of other options to improve non-municipal waste data in Wales, including additional powers to require waste data from businesses.</p>

Date of report	Title of review	Recommendation
March 2019	<u>Waste Management in Wales - Preventing waste</u>	<p><b>R3 Enhancing producer responsibility and using more legal, financial and fiscal levers</b></p> <p>The Welsh Government has opportunities to influence waste prevention through legislation and financial incentives. It can also influence changes at the UK level where fiscal matters are not devolved. We recommend that the Welsh Government consider whether provisions to extend producer responsibility and the use of financial powers such as grant conditions, fiscal measures and customer charges and incentives, are needed to promote and to prioritise waste prevention.</p>

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# Wales Audit Office Annual Improvement Report

## Executive Response

June 2019

The following is a progress report on the Proposals for Improvement contained in response to the Annual Improvement Report published June 2019.

Report Title	Proposals for Improvement including overall lead	Action response	RAG Status
<b>Well-being of Future Generations:</b> An examination of the Green Council: maximising the recovery and recycling of waste.	<b>Long term</b> There is a need to think longer term and for the Council to develop its own regional and local needs, challenges and opportunities to help it deliver its 2050 aim of zero waste.  Chief Officer – Streetscene and Transportation	This is embodied within the Council's five-year Waste Strategy.	<b>G</b>
	<b>Prevention</b> Although the Council regularly monitors the total amount of waste generated within the county and the proportion being recycled, it could take further action to reduce overall waste volume.  Chief Officer – Streetscene and Transportation	This is embodied within the Council's five-year Waste Strategy.	<b>G</b>
	<b>Prevention</b> Improve the customer experience at HRCs with better support from staff.  Chief Officer – Streetscene and Transportation	We will work with the Wales Audit Office on their Service User perspective at our HRC sites.	<b>G</b>
	<b>Integration</b> The Council should give more consideration to how it can integrate its well-being objectives and assess their impact on the well-being objectives of other bodies.  Chief Executive	The Council will be re-setting its well-being objectives as part of the Council Plan setting, which will include not just the work led by the Council, but also consideration of partnership working and its impact on the well-being objectives of other bodies.	<b>G</b>

Report Title	Proposals for Improvement including overall lead	Action response	RAG Status
	<p><b>Involvement</b> Sometimes the Council may benefit from engaging with stakeholders earlier in the process. For example, by involving stakeholders in the early design stage of the HRC process, the Council may have avoided negative publicity and agreed on a final approach more quickly and easily.</p> <p>Chief Executive</p>	We will review where we have been successful in other involvement exercises to apply lessons learned to future policy reviews.	<b>A</b>
	<p><b>Involvement</b> A more consistent approach needs to be taken to completing comprehensive equality impact assessments (EIA) and making them available to the decision-making process.</p> <p>Chief Executive</p>	The work undertaken on developing the EIA approach into a fully integrated impact assessment (including the well-being goals and sustainable development principles) will be completed in-year.	<b>A</b>
	<p><b>Involvement</b> Members we spoke to reflected that, although they are confident that officers consider the WFG Act, this is not clearly demonstrated in the reports we receive.</p> <p>Chief Executive</p>	Completion of work being undertaken to incorporate the thinking behind the WFG Act within reports to Members.	<b>A</b>
	<p><b>Corporate arrangements</b> The Council needs to assure itself that it is considering the five ways of working in the actions it takes to achieve its well-being objectives.</p> <p>Chief Executive</p>	This will be undertaken as part of the re-setting of the Council's well-being objectives.	<b>A</b>
	<p><b>Corporate arrangements</b> The Council needs to consider how to include a learning cycle to help it further embed the five ways of working in setting and delivering its well-being objectives.</p> <p>Chief Executive</p>	Setting and delivery of the revised set of well-being objectives will be fully integrated with the five ways of working.	<b>A</b>



Report Title	Proposals for Improvement including overall lead	Action response	RAG Status
		<p><b>All the above 'Ways of working'</b>  The 'ways of working' and the Councils well-being objectives will be referred to in all Strategic Cabinet (and other relevant) reports from September 2019 as a significant positive, negative or neutral contribution.</p> <p>An overview of the integrated impact assessment will also be included to inform strategic decisions.</p>	<b>A</b>
<b>Local government use of data local report</b>	<p><b>P1</b>  The Authority needs to develop a more unified and corporate approach to using data. It can do this by:</p> <ul style="list-style-type: none"> <li>• continuing to embed its 'tell us once' project and build on the integration of datasets as was done with the datasets which informed the Council Plan. More generally, data tool respondents feel the Authority lacks a corporate ownership of data projects. A change in culture and a stronger leadership on data will support the creation of an environment that treats data as a key resource. This will help to extend the benefits of data-led decisions to all service areas.</li> </ul> <p>Chief Officer - Governance</p>	<p>We will review and publish our Information Management Strategy so that there is a clear and understood approach to data management. As identified within the report, Tell Us Once is a key part of Digital Strategy.</p>	<b>A</b>
	<p><b>P2</b>  The Authority collects data at almost every interaction with its citizens, whether face to face, over the phone or on social media and it needs to ensure it continues to protect the information it holds whilst making the best use of this wealth of data. Updating data sharing protocols and providing refresher training – focusing on what people can do</p>	<p>Following work on compliance for GDPR we are working on how best to use data and information between portfolios in the provision of services for our customers and service users. We are reviewing how we</p>	<b>A</b>

Report Title	Proposals for Improvement including overall lead	Action response	RAG Status
	<p>rather than what they cannot do – will help to ensure that service managers know when and what they can share, thereby helping to make better use of shared data.</p> <p>Chief Officer – Governance</p>	<p>balance security with the proactive use of data.</p>	
	<p><b>P3</b></p> <p>Our national report highlights Flintshire County Council's approach to building capacity and driving a more collaborative culture across the county. Whilst the Digital Flintshire 2017-2022 strategy outlines how digital information and technology will be used to support the Authority's improvement priorities and strategic plans, and ensuring customers have the digital skills to access services and information online, having the right staff with the right skills to turn its wealth of data into usable evidence remains a challenge.</p> <p>Indeed, ensuring adequate resources and sufficient capacity are ongoing challenges for all local authorities.</p> <p>A significant proportion who responded to our data tool do not believe the Authority has sufficient staff with the skills to maximise the use of data. Without upskilling staff to make better use of data the Authority risks missing opportunities to better use data to improve its efficiency and effectiveness.</p> <p>Investing to make better use of data will result in better outcomes for citizens and create long-term efficiencies for the Authority.</p> <p>The Well-being of Future Generations (Wales) Act 2015 provides the perfect impetus for the Authority to think long term.</p> <p>Chief Executive</p>	<p>We are developing a comprehensive plan within our digital strategy programme to ensure that each project contains as standard a strong emphasis on training and the development of digital skills. We are reviewing how we can have better control, visibility of and confidence in our data to support effective design and delivery of services.</p>	<p><b>A</b></p>

Report Title	Proposals for Improvement including overall lead	Action response	RAG Status
	<p><b>P4</b></p> <p>Understanding the data and the level of analysis provided to inform business planning and decision making is an area for improvement for all local authorities.</p> <p>The Authority should review the range and quality of the information needed by decision makers and the format it is presented in. This will enable the Authority to set corporate data reporting standards to ensure the data that is presented to senior officer and Elected Members is accessible, easily understandable and equips decision makers to fulfil their responsibilities as effectively as possible.</p> <p>Chief Executive</p>	<p>Work is being undertaken around the structure of reports to ensure that risks and options are well presented. This will also cover the presentation of data.</p>	<p><b>A</b></p>

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 11 <sup>th</sup> September 2019
<b>Report Subject</b>	Strategic Risk Management Update
<b>Portfolio Holder</b>	The Leader
<b>Report Author</b>	Chief Executive

### EXECUTIVE SUMMARY

This risk management update provides an overview of our strategic approach to risk management.

The report describes the general principles of the Risk Management Policy and Strategy; how the risk matrix is used to create the corporate risk register and where and how it is monitored, escalated and reported.

The different assurance roles of both Internal Audit and the Audit Committee are outlined.

A strategy to communicate and keep the workforce updated on the principles and use of risk management is also described.

### RECOMMENDATIONS

1	To be assured by our strategic approach to the management of risk.
2	To receive a revised version of the Risk Management Strategy at the next Audit Committee meeting.

## REPORT DETAILS

<b>1.00</b>	<b>STRATEGIC RISK MANAGEMENT</b>						
1.01	<p><u>Risk Management Policy principles</u></p> <p>Our risk management policy has a number of principles which guide our approach in achieving our strategic and service priorities. These include:</p> <ul style="list-style-type: none"><li>- Being transparent and corporate</li><li>- Ownership and accountability at all levels</li><li>- Integration into operational and management practices</li><li>- Effective and transparent monitoring</li></ul> <p>The Risk Management Strategy is reviewed periodically and this report is a precursor to the next review.</p>						
1.02	<p><u>Risk Management process</u></p> <p>This section of the report is to describe what we mean by risk and how we use risk as a positive process to help achieve our priorities and objectives.</p> <p>Risk can be a threat (negative) or an opportunity (positive). A threat is an event or action that would adversely affect our ability to achieve stated objectives and to successfully deliver approved strategies. An opportunity is an event or action that would enhance our ability to achieve our objectives and deliver approved strategies, whether these be short term or long term.</p> <p>The types of risks that we manage relate to the ways in which we work:</p> <ul style="list-style-type: none"><li>• Strategic and corporate – affecting a major strategy and/or the whole organisation</li><li>• Programme / project – affecting a specific project or programme</li><li>• Partnership and collaboration – affecting a partnership or collaboration</li><li>• Operational – affecting more specific processes and workstreams</li></ul> <p>We have a four box model within which our risks sit. We use this for management purposes, escalating where needed either within the management structure or into the Member and committee structures.</p> <table><tr><th><b>CORPORATE</b></th><th><b>PORTFOLIO</b></th></tr><tr><td><b>Corporate Strategy</b></td><td><b>Portfolio Strategy</b></td></tr><tr><td><b>Corporate Governance</b></td><td><b>Portfolio Operations</b></td></tr></table> <p>Risks can come from many sources including financial, people, legal, environmental etc. We use a template (Appendix 1.1) to help us identify the sources of risk.</p>	<b>CORPORATE</b>	<b>PORTFOLIO</b>	<b>Corporate Strategy</b>	<b>Portfolio Strategy</b>	<b>Corporate Governance</b>	<b>Portfolio Operations</b>
<b>CORPORATE</b>	<b>PORTFOLIO</b>						
<b>Corporate Strategy</b>	<b>Portfolio Strategy</b>						
<b>Corporate Governance</b>	<b>Portfolio Operations</b>						

Once a risk has been identified we then look at the 'severity' of the risk i.e. who and what it impacts and the likelihood of it happening. We do this by applying a risk matrix which helps us to both identify the initial scale of the risk and also to monitor the scale as we apply interventions or mitigating actions.

Impact Severity	Catastrophic	Y	A	R	R	B	B
	Critical	Y	A	A	R	R	R
	Marginal	G	G	Y	A	A	R
	Negligible	G	G	G	Y	Y	A
		Unlikely (5%)	Very Low (15%)	Low (30%)	Significant (50%)	Very High (65%)	Extremely High (80%)
Likelihood & percentage of risk happening							

### Risk Likelihood and Impact Matrix

asbbsstt.

Two examples from the current Council Plan to demonstrate how the process is used are as follows:

#### Theme: Caring Council

#### Priority: Housing

Sub-priority: Homelessness Strategy and Local Action Plan

**Risk: Homelessness will remain a growing area of demand due to the current policy climate**

Risk potential effects: Youth Homelessness: increased complexity of cases with mental health, drug or alcohol issues; increased burden on health service for prolonged period of time; ongoing and deteriorating health leading to reduced quality of life and life expectancy

Type of risk: Portfolio Strategy and Portfolio Operations

Initial risk assessment: Likelihood = Significant and Impact = Critical ie. RED

Current risk assessment: Likelihood = Significant and Impact = Marginal i.e. AMBER

Management Controls/actions:

- Understand scale of issue turning review into action (Lesley Basset)
- Develop detailed action plan and deliver (Lesley Basset)
- Review every quarter (Stakeholder Group)
- Explore development of a Youth Hub (Stakeholder Group)
- Share thinking with Members and Welsh Government (Chief Officer – Housing and Assets)

Target Risk Assessment: Likelihood = Very low and Impact = Marginal i.e. GREEN

#### Theme: Green Council

#### Priority: Safe and sustainable Travel services

Sub-priority: Highway Network

**Risk: Insufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth;**

	<p>Risk potential effects: Loss of key transport links</p> <p>Type of risk: Portfolio Strategy</p> <p>Initial risk assessment: Likelihood = Very high and Impact = Marginal i.e. AMBER</p> <p>Current risk assessment: Likelihood = Low and Impact = Marginal i.e. AMBER</p> <p>Management Controls/actions:</p> <ul style="list-style-type: none"> <li>• Maintain Highways Asset Management Plan (Barry Wilkinson)</li> <li>• Lobby for Welsh Government funding (Steve O Jones)</li> <li>• Reactive Maintenance (Barry Wilkinson)</li> </ul> <p>Target Risk Assessment: Likelihood = Low and Impact = Marginal ie. AMBER</p> <p>The examples provided above demonstrate that we have effective management practice on risk identification and management.</p> <p>The same approach is also applied to the maintenance of specific risk registers for large projects e.g. capital projects, and the incorporation of risks in business plans etc.</p> <p>More recently the joint Audit and Overview and Scrutiny Committee has had an overview of the Council Plan and Annual Governance Statement risks to ensure that the risks have been allocated to a specific Overview and Scrutiny Committee for inclusion within the forward work programmes for monitoring.</p> <p>Business and Portfolio plans and key strategies also review risk positions using the same matrix.</p> <p>We have an agreed escalation process. If operational risks within a portfolio cannot be managed within the portfolio itself then they are escalated within the corporate management process. Further escalation as a corporate risk would be taken through the Member structure.</p> <p>Escalation of a risk can be followed through in one of three ways:</p> <ol style="list-style-type: none"> <li>1) Inclusion within strategic reports to Cabinet. This is expected to evolve over time to also include Overview and Scrutiny reporting.</li> <li>2) Corporate risks such as those identified within the Council Plan or Annual Governance Statement are monitored and reported against.</li> <li>3) Risks within a business area could be subject to internal audit testing; either as part of an agreed audit plan or due to an emerging situation.</li> </ol> <p>Ownership and accountability for risks is a key part of our monitoring and reporting process. All identified risks have an owner for both the risk itself and also for specific mitigating actions. These are recorded on the CAMMS management system so that all information related to a risk is in one place. This makes monitoring and reporting more efficient and transparent. It also allows us to produce 'risk registers' of different types of risk.</p>
1.03	<p><u>Assurance framework:</u></p> <p>Our risk management processes are assured in two main ways: firstly, through the role of the Audit Committee for assurance of policy compliance of the risk management framework and its effectiveness, and; secondly through the role of Internal Audit who test the compliance of the systems.</p>



	The recently formed joint Chairs and Vice Chairs of Audit and Overview and Scrutiny meetings have also provided a further level of assurance into the risk management process.
1.04	<p><u>Next steps</u></p> <p>The Risk Management Strategy was last revised in 2018; a further revision will be presented to the next Audit Committee in November encompassing the approach described in this report.</p> <p>Accompanying this will be a Management Guide summary, so that our approach can be more easily followed and used.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	There are no specific resource implications relevant to this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Chief Officers have been working through the new four box model to identify their risks.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	This report outlines our approach to risk management to ensure that it is relevant and current.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Guidance - 1.1: Risk identification 1.2: Using the 6x4 risk matrix

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><b>Contact Officer:</b> Karen Armstrong, Corporate Business and Communications Executive Officer</p> <p><b>Telephone:</b> 01352 702740</p> <p><b>E-mail:</b> <a href="mailto:Karen.armstrong@flintshire.gov.uk">Karen.armstrong@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	(1) <b>Council Plan:</b> the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009

	<p>to set Council Objectives and publish a Council Plan.</p> <p>(2) <b>Risk Management</b> - the process of <b>identifying</b> risks, <b>evaluating</b> their potential consequences (<u>impact</u>) and <b>managing</b> them. The aim is to reduce the frequency (<u>likelihood</u>) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (<u>impact</u>) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>
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## Appendix 1.1

## Checklist for Risk Identification

Examples		
<b>P</b>	<b>Political</b>	<ul style="list-style-type: none"> <li>- Member support</li> <li>- Local/General election changes</li> <li>- Community Leadership</li> <li>- Democratic Governance/Management</li> <li>- National Policy change</li> </ul>
<b>E</b>	<b>Environmental</b>	<ul style="list-style-type: none"> <li>- Recycling / Green issues</li> <li>- Energy efficiency, Pollution, Carbon emissions</li> <li>- Climate Change; flooding and adaptation</li> <li>- Land use</li> <li>- Waste Strategy</li> </ul>
<b>R</b>	<b>Regulatory / Legislative</b>	<ul style="list-style-type: none"> <li>- Non-compliance with legislation</li> <li>- Data Protection/Freedom of Information Act/ Human rights</li> <li>- TUPE regulations</li> <li>- Health &amp; Safety</li> <li>- Legal challenges</li> <li>- Corporate Governance</li> </ul>
<b>F</b>	<b>Financial</b>	<ul style="list-style-type: none"> <li>- Financial performance and management</li> <li>- Efficiencies</li> <li>- Financial procedural rules</li> <li>- Ability to meet financial commitments, including internal budgetary pressures</li> <li>- Insurance cover/claims</li> <li>- Procurement</li> <li>- Contract standing orders</li> </ul>
<b>O</b>	<b>Objectives</b>	<ul style="list-style-type: none"> <li>- Council priorities for change and improvement</li> </ul>
<b>R</b>	<b>Reputational</b>	<ul style="list-style-type: none"> <li>- Negative publicity</li> <li>- Legal challenges</li> <li>- Project failure</li> <li>- External regulatory reports</li> </ul>
<b>M</b>	<b>Management</b>	<ul style="list-style-type: none"> <li>- Strategic – Corporate and resource management</li> <li>- Operational – Management skills to include Performance, Risk, Finance HR etc</li> <li>- Collaborative working/partnerships</li> <li>- Emergency Planning</li> </ul>
<b>A</b>	<b>Assets</b>	<ul style="list-style-type: none"> <li>- Land, property, equipment, technology, information, employees</li> </ul>
<b>N</b>	<b>Not covered elsewhere</b>	<ul style="list-style-type: none"> <li>- Risks that do not fit into any other defined category</li> </ul>

<b>C</b>	<b>Customer and Communities</b>	<ul style="list-style-type: none"> <li>- Impact on customer</li> <li>- Consultation/engagement/communication</li> <li>- Customer Feedback</li> <li>- Current and changing needs and expectations of customers and citizens</li> <li>- Demographics; Migration and immigration</li> <li>- Community cohesion</li> <li>- Community Strategy</li> <li>- Business Continuity Management (including disaster recovery arrangements)</li> </ul>
<b>E</b>	<b>Equalities</b>	<ul style="list-style-type: none"> <li>- Welsh Language</li> <li>- Social Justice</li> <li>- Disability Discrimination Act</li> <li>- Race Relations</li> <li>- Age and Gender</li> <li>- Equality Impact assessments</li> </ul>
<b>S</b>	<b>Sustainability</b>	<ul style="list-style-type: none"> <li>- Maintaining and improving Flintshire as a place to live, work and visit now and in the future.</li> </ul>

## Appendix 1.2: Using the 6 x 4 risk matrix

### Criteria for assessing likelihood

Unlikely (5%)	Very Low (15%)	Low (30%)	Significant (50%)	Very High (65%)	Extremely High (80%)
Likelihood & Percentage of risk happening					

### Criteria for assessing Impact

Description	Examples
<b>Catastrophic</b>	<ul style="list-style-type: none"> <li>No confidence in Senior Management / Leadership</li> <li>Formal WG intervention/exercise of their powers</li> <li>Multiple fatalities</li> <li>Complete/critical service failure</li> <li>Exceedingly negative <i>national</i> publicity</li> <li>Serious impact on workforce across more than one Portfolio</li> <li>Legal action almost certain, unable to defend</li> <li>Serious financial impact to budget, not manageable within existing funds and may impact on reserves</li> <li>Non-compliance with law resulting in imprisonment</li> </ul>
<b>Critical</b>	<ul style="list-style-type: none"> <li>Limited confidence in Senior Management/Leadership</li> <li>Significant service failure</li> <li>Negative <i>national</i> publicity</li> <li>Impact on workforce across more than one Portfolio</li> <li>Legal action almost certain and difficult to defend</li> <li>Serious financial impact to budget, manageable across the authority</li> <li>Negative external regulatory reports impacting on Corporate Governance</li> <li>Single fatality</li> </ul>
<b>Marginal</b>	<ul style="list-style-type: none"> <li>Significant service under performance</li> <li>Negative <i>local</i> publicity</li> <li>Expected impact on workforce, but manageable within Portfolio contingency arrangements</li> <li>Legal action expected</li> <li>Expected financial impact to budget, manageable within Portfolio</li> <li>Non-compliance with law resulting in fines</li> <li>Negative external regulatory reports</li> <li>Extensive, permanent/long term injury or long term sickness</li> </ul>

<p><b>Negligible</b></p>	<ul style="list-style-type: none"> <li>• Some risk to normal service delivery but manageable within contingency arrangements</li> <li>• Legal action possible but unlikely and defensible</li> <li>• Possible financial impact to budget, manageable within service</li> <li>• Non-compliance with regulations / standards or local procedures resulting in disciplinary action</li> <li>• First Aid or medical treatment required</li> <li>• Previous risk mitigated by completed action plan</li> </ul>
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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 11 September 2019
<b>Report Subject</b>	Internal Audit Progress Report
<b>Report Author</b>	Internal Audit Manager
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the Committee to fulfil the Terms of Reference with regards to Internal Audit.

The current progress report is attached.

### RECOMMENDATIONS

1	To consider and accept the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts.
1.02	The level of audit assurance for standard audit reviews is detailed within Appendix A. All reports finalised since the last Committee meeting are shown in Appendix B.
1.03	Appendix C shows provides an oversight to Audit Committee on the cumulative assurance throughout the year, however it should be noted this will be fluid. A footnote has been included to list those reports issued with Red / Amber Red assurance.

1.04	<p>Since the last Committee meeting in June there has been one report issued with Red / Limited assurance for School Funds, Argoed High School. This review is detailed within Appendix D. Appendix E shows those reports with an Amber Red / Some Assurance given. Copies of all final reports are available for Members if they wish to see them.</p>
1.05	<p>The automated tracking of actions is completed through the use of the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>E-mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. In the event an action is not completed within the agreed date, an e-mail is also sent to the responsible officer, their manager and copied to Chief Officer for awareness. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams. The monthly report to Chief Officers now identifies the date of the last update provided (if any) for each action. Each Chief Officer is requested to review this.</p> <p>Appendix F shows the current situation. Of 1075 actions entered into the system, 879 have been cleared and 196 remain live. There are 40 overdue actions to be reported, listed in Appendix G.</p> <p>Appendix H lists all actions with a revised due date of six months from the original due date and a note on how the risk is being managed. For each revised due date entered onto the system, the officer is required to provide a reason to support this change.</p> <p>To avoid repetition in the report, where an action is older than six months and overdue this action will be included within the Appendix G, Actions Overdue.</p>
1.06	<p>Appendix I shows the status of current investigations into alleged fraud or irregularities. The table includes the start date of the investigations.</p>
1.07	<p>Appendix J shows the range of performance indicators for the department. On the whole, performance continues to meet the current targets set; however, performance will show there has been an increase in the number of days from debrief meeting to the issuance of draft reports. This is directly related to the School Fund audits across the sampled schools and the need to complete all audits and reports collectively to ensure the findings informed the 'Overall School Funds' audit report.</p> <p>Productive time has reduced since the previous quarter. This is due to the annual leave taken during this period.</p> <p>Feedback received on the client questionnaire remains high; however, these questionnaires relate to the work undertaken in previous periods and do not count towards the calculation for the number of questionnaires returned for quarter 2 work. The calculation for this performance indicator will be reviewed before the next Committee meeting in November.</p>



1.08	Appendix K shows the current position of work being finalised from the 2018/19 audit plan.
1.09	<p>Appendix L shows the current position of the 2019/20 plan. The plan will continue to be reviewed with Chief Officers on a quarterly basis and reprioritised to accommodate any new requests for work or to respond to emerging issues. Since the last Committee in June, there has been three new requests for additional work, two of which are being delivered on a commissioned basis and the income generated will be offered to the team to increase their hours to provide additional support to the service. These are:</p> <ul style="list-style-type: none"> <li>• Carbon Reduction Scheme (commissioned work)</li> <li>• Voids – supporting a lean review (commissioned work)</li> <li>• Garden Waste Charges Analysis</li> </ul> <p>Any new audits are highlighted in red within Appendix L.</p>
1.10	<p>On reviewing the plan there is a need to make two amendments:</p> <ul style="list-style-type: none"> <li>• Defer the review on North Wales Residual Waste Project – Contract Management Arrangements until the first quarter of 2020/21 due to the delay in the commissioning of the contract;</li> <li>• Combine the Integrated Impact Assessments (IIA) audit with the Business Planning, Risk and Performance Management Audit as the IIA forms part of the Business Planning and Risk Management;</li> <li>• GwE has confirmed that they no longer require the Education Improvement Grant to be independently audited by Internal Audit.</li> </ul> <p>These audits are highlighted in green within Appendix L.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a direct result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

<b>5.00</b>	<b>APPENDICES</b>	
5.01	Appendix A	Levels of Audit Assurance
	Appendix B	Final Reports Issued Since March 2019
	Appendix C	Audit Assurance and Priority of Actions
	Appendix D	Red / Limited Assurance Reports Issued since March 2019
	Appendix E	Amber Red / Some Assurance Reports Issued since March 2019
	Appendix F	Action Tracking – Portfolio Statistics
	Appendix G	Over Due Actions (including actions older than 6 months if overdue)
	Appendix H	Actions with Revised Due Date Six Months Beyond Original Due Date and Not Overdue
	Appendix I	Investigation Update
	Appendix J	Performance Indicators
	Appendix K	Operational Plan 2018/19 (Carry Forward)
	Appendix L	Operational Plan 2019/20

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>	
6.01	<b>Contact Officer:</b>	Lisa Brownbill, Internal Audit Manager
	<b>Telephone:</b>	01352 702231
	<b>E-mail:</b>	<a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>	
7.01	<p><b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Operational Plan:</b> the annual plan of work for the Internal Audit team.</p>	

# Flintshire Internal Audit

Progress Report



September  
2019

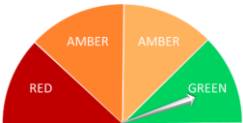
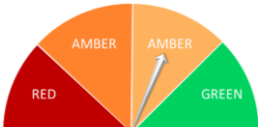
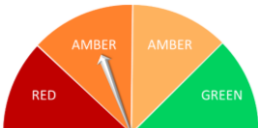
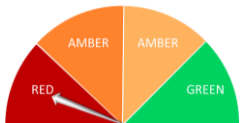
## Contents

Levels of Audit Assurance – Standard Audit Reports.....	Appendix A
Final Reports Issued Since Last Committee.....	Appendix B
Audit Assurance Summary.....	Appendix C
Red / Limited Assurance Opinions Issued .....	Appendix D
Summary of Amber Red / Some Assurance Opinions Issued .....	Appendix E
Action Tracking – Portfolio Statistics.....	Appendix F
Actions Over Due.....	Appendix G
Actions with a Revised Due Date Six Months Beyond Original Due Date....	Appendix H
Investigation Update.....	Appendix I
Internal Audit Performance Indicators.....	Appendix J
Internal Audit Operational Plan Carry Forward.....	Appendix K
Internal Audit Operational Plan 2019/20.....	Appendix L

# Levels of Assurance – Standard Audit Reports

## Appendix A

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits, and summary findings from Amber Red audits will be reported to the Audit Committee.

Level of Assurance	Explanation
<b>Green – Substantial</b> 	<p><b>Strong controls in place (all or most of the following)</b></p> <ul style="list-style-type: none"> <li>Key controls exist and are applied consistently and effectively</li> <li>Objectives achieved in a pragmatic and cost effective manner</li> <li>Compliance with relevant regulations and procedures</li> <li>Assets safeguarded</li> <li>Information reliable</li> </ul> <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p><b>Follow Up Audit:</b> 85%+ of actions have been implemented. All high priority actions have been implemented.</p>
<b>Amber Green – Reasonable</b> 	<p><b>Key Controls in place but some fine tuning required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact</li> <li>Some refinement or addition of controls would enhance the control environment</li> <li>Key objectives could be better achieved with some relatively minor adjustments</li> </ul> <p>Conclusion: key controls generally operating effectively.</p> <p><b>Follow Up Audit:</b> 51-85% of actions have been implemented. All high priority actions have been implemented.</p>
<b>Amber Red – Some</b> 	<p><b>Significant improvement in control environment required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively</li> <li>Evidence of (or the potential for) financial / other loss</li> <li>Key management information exists but is unreliable</li> <li>System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.</li> </ul> <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p><b>Follow Up Audits</b> - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<b>Red – Limited</b> 	<p><b>Urgent system revision required (one or more of the following)</b></p> <ul style="list-style-type: none"> <li>Key controls are absent or rarely applied</li> <li>Evidence of (or the potential for) significant financial / other losses</li> <li>Key management information does not exist</li> <li>System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.</li> </ul> <p>Conclusion: a lack of adequate or effective controls.</p> <p><b>Follow Up Audit</b> - &lt;30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<b>Categorisation of Actions</b>	Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses
<b>Value for Money</b>	The definition of Internal Audit within the Audit Charter includes 'It 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.' These value for money findings and recommendations are included within audit reports.

## Final Reports Issued Since June 2019

## Appendix B

The following reports and advisory work have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified.

Project Reference	Portfolio	Project Description	Audit Type	Level of Assurance	Actions		
					High	Med	Low
64-2018/19	E&Y	School Funds – Argoed High School	Risk Based	R	2	3	2
26-2018/19	E&Y	School Funds – Overall	Risk Based	AR	1	5	2
66-2018/19	E&Y	School Funds - Broughton Primary School	Risk Based	AR	1	2	3
41-2018/19	S&T	Alltami Stores Follow Up Audit	Follow Up	AR	1	4	1
67-2018/19	E&Y	School Funds – Gwyenned Primary School	Risk Based	AG	0	2	2
65-2018/19	E&Y	School Funds – Ysgol Ewloe Green	Risk Based	AG	0	2	2
36-2018/19	H&A	New Homes	Risk Based	AG	0	2	3
42-2018/19	SS	Social Services Financial Processes Follow Up	Follow Up	G	0	0	2
02-2019/20	E&Y	Education Grant – Professional Development Grant (PDG)	Grant	Grant	-	-	-
AC13-2018/19	Ext	Project Apple	Advisory	Advisory	-	-	-
AC 01-2019/20	P&E	CRC Scheme	Commissioned	Advisory	-	-	-
19-2018/19	P&R	Pay Deal	Advisory	Advisory	-	-	-
16-2018/19	GOV	Declaration of Interests	Advisory	Advisory	-	-	-
09-2018/19	P&R	Appraisals	Advisory	Advisory	-	-	-

## Audit Assurance Summary

## Appendix C

Portfolio	Number of Reports & Assurance						Priority & Number of Agreed Actions			
	Red	Amber Red	Amber Green	Green	Advisory / Grant - No Opinion Given	In Total	High	Medium	Low	In Total
Corporate						0				0
Education & Youth	1	2	2		2	7	4	13	10	27
Governance					1	1				0
Housing & Assets			1			1	0	2	3	5
People & Resources					2	2				0
Planning, Environment & Economy					1	1				0
Social Services				1		1	0	0	2	2
Streetscene & Transportation		1				1	1	4	1	6
External					1	1				0
<b>Total</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>15</b>	<b>5</b>	<b>19</b>	<b>16</b>	<b>40</b>

## Footnote:

## Red Assurance:

Argoed High School

## Amber Red Assurance:

School Funds – Overall;  
 School Funds – Broughton Primary School; and  
 Alltami Stores Follow Up.



## RED / Limited Assurance Opinion

## Appendix D

### School Funds – Argoed High School

An audit of the School Funds has been undertaken as part of the approved Internal Audit Annual Plan 2018/19. The school fund is a voluntary fund which is established to provide additional materials and opportunities to enhance the learning experiences of children. The fund is used to fund items over those that are funded through the school's delegated budget.

The school fund should be administered in accordance with the School Fund Regulations 2017. The schools and their respective governing bodies are responsible for the oversight and management of the voluntary fund.

Argoed High school was chosen as part of the sample given the value of the School Fund as well as when the school was last audited. At the time of selecting the schools to be sampled (Feb 2019), the schools accounting team had not received the statement of audited accounts for the year ending 31 March 2018. Based on the figures provide by the school, the value of the fund at the time of the review was £61.9K.

The audit focused on the following risks:

- School funds are not operated and controlled in accordance with the School Fund Regulations;
- School funds are not independently audited on an annual basis; and
- The School Fund Regulations are not sufficient.

The audit identified that urgent system revision is required in relation to the controls surrounding the management of the fund to prevent and/or detect theft or fraud, as well as the governance arrangements in relation to the school fund.

Information requested during and following the review relating to the reconciliation of the music tuition payments via parent pay, the payment transferred to the delegated budget for music, the approval of the school fund constitution, the approval of the audited accounts by the governing body, the investigation of discrepancies identified by the independent auditor as well as discrepancies identified through this review, the confirmation of the total cost of the South Africa trip and approval of this in line with school fund constitution is still outstanding.

### Overall Conclusion:

The audit review identified inadequate and/or ineffective controls in place within the school which has resulted in a 'red'/limited assurance opinion being given. The impact of this assurance opinion requires urgent service revision to address the issues identified. Specifically, weaknesses were found in relation to the management, oversight, control and reconciliation of the voluntary school fund. Subsequent to the final report being issued, audit has met



with the newly appointed Business Manager to discuss potential changes to the process to improve the control environment surrounding the management of the fund and the ability to prevent/detect fraud. At the time of the review, the school fund had not been independently audited for the year ending 31 March 2019. This has been recommended in the first instance to provide additional assurance or to assist with the identification of additional controls to be introduced.

The issues identified within the audit were escalated to the Chief Officer, Education and Youth, the Senior Manager Business Change & Support and the Finance Manager Lifelong learning at an early stage.

The head teacher for Argoed High School, will provide a full verbal update to Audit Committee on the progress made to date to address the issues identified within the audit report.

## School Funds – Argoed High School: Action Plan

No.	Findings and Implications	Agreed Action	When
1(R)	<p><b>School Fund Governance</b></p> <p>Monies are contributed by parents and supporters of the school specifically to fund additional materials and opportunities to enhance the learning experiences of children at the school.</p> <p>Effective stewardship of this voluntary fund falls to the school's head teacher and governing body who are responsible for challenging expenditure and providing oversight as required by the School Fund Regulation / Constitution.</p> <p>Testing identified that:</p> <ul style="list-style-type: none"> <li>• Argoed Business Manager does not perform an adequate monthly reconciliation of the school fund.</li> <li>• There is a lack of evidence the Head Teacher independently reviews the reconciliation of their school fund accounts across the school year.</li> <li>• An income and expenditure spreadsheet/cashbook is not kept to facilitate the identification of all transactions and to assist with the cross referencing to supporting documents.</li> <li>• Reconciliation documents completed for as a result of the audit visit, provided by the Business manager, identified cash and cheque balances were reconcilable for three out of ten months. Variances identified for the remaining seven months had not been investigated by the school. Variances during these months were as much as £611.50. Additionally, documents were not available for all transactions to assist with the sample reconciliation of the school fund account.</li> <li>• The school fund account income expenditure and balance is not a standing agenda item regularly presented to the governing body.</li> </ul>	<ul style="list-style-type: none"> <li>• The balance of the School Fund to be reported to the governing body as well as parents. This will be undertaken every half term.</li> <li>• Head teacher to review the reconciliation of the funds accounts on a monthly basis and to sign and date the statements and income and expenditure forms reviewed.</li> <li>• School fund to be audited yearly and certificates to be submitted to the schools accounting team.</li> <li>• An income and expenditure spreadsheet to be introduced to facilitate the identification of all transactions, split by activity.</li> <li>• Discrepancies identified through the audit reconciliation to be investigated and rectified in a timely manner.</li> <li>• Key Governing Body members to attend Managing School Finances training and records of attendance to be retained.</li> <li>• Progress against actions from this audit to be a standing agenda item on Finance Committee until actions have addressed the control weaknesses.</li> <li>• Vice Chair of Finance to be appointed along with further training of Head Teacher on managing school finances.</li> </ul>	<p>31/12/2019</p> <p>31/12/2019</p> <p>30/04/2020</p> <p>30/09/2019</p> <p>31/12/2019</p> <p>31/01/2020</p> <p>31/12/2019</p> <p>30/11/2019</p>

No.	Findings and Implications	Agreed Action	When
	<p>Meeting minutes maintained do not evidence this discussion.</p> <ul style="list-style-type: none"> <li>There is a lack of evidence the school governing body have attended training on the operation of the school fund and to ensure the governors have been made aware of their responsibilities.</li> <li>Argoed had a period of a year and a half in between the school fund account being independently audited (the 2017 accounts were audited on 30 August 2017 and the 2018 accounts were audited on 5 April 2019). Additionally, there was no evidence to demonstrate the independently audited accounts (17/18 had been presented to the governing body. The independent auditor advised the business manager by letter (12 April 2019) that £652 could not be reconciled due to unrepresented cheques. As at the 20th of May 2019, these discrepancies were still outstanding and had yet to be investigated. A copy of the audit certificate had not been provided to the Local Authority as required by the School Fund Regulations.</li> <li>The school fund balance is not communicated to parents.</li> </ul> <p>There is a risk that the school fund is not being effectively reconciled monthly within Argoed, scrutinised by the head teacher nor reported regularly to Governing Body or parents across the school year.</p>	<ul style="list-style-type: none"> <li>Monthly meetings scheduled between HT, BM, Chair and Vice Chair of Finance to cover all aspects of financial position and controls.</li> </ul> <p>URN 02675</p>	<p>30/11/2019</p>
2(R)	<p><b>Controls to prevent loss of funds or fraud</b></p> <p>It is important that access to the school fund is restricted to specified individuals.</p> <p>Testing identified that Argoed did not possess a copy of the school fund bank account mandate. Upon request from the bank, it was identified the mandate was out of date and that both the previous head teacher and business manager are still current signatories on</p>	<p>School fund mandates to be rectified to reflect current business practice. Future changes to school fund mandates to be reviewed and updated prior to personnel leaving the role/school. School to keep a copy of their school fund mandate on file and should review it annually.</p> <p>URN 02676</p>	<p>30/09/2019</p>

No.	Findings and Implications	Agreed Action	When
	<p>the mandate. These individuals had not been in post for over a year.</p> <p>The above issues pose a risk that the funds within the account are not adequately controlled and current processes would not prevent or detect loss of funds or potential fraud.</p>		
3 (A)	<p><b>School Fund Constitution</b></p> <p>Although a school fund constitution was provided, it was an updated draft copy and had not been approved by the Governing Body. A lack of adherence to the constitution has also been identified as the school fund had not been subject to a timely audit as required and reported in finding 1.</p> <p>The School Fund Constitution is a mandatory requirement stipulated in the School Fund Regulations 2017. Given the lack of operating procedures at Argoed, reference will need to be made to the School Fund Constitution. Without an accurate and up to date constitution, there is a risk to those involved in the administration, management and governance of the school fund.</p>	<p>Argoed to ensure a school fund constitution is approved by the governing body, controls are in place to demonstrate adherence and is reviewed yearly to ensure it is fit for purpose.</p> <p>URN 02677</p>	30/09/2019
4 (A)	<p><b>Transfers from the School Fund to Delegated Budget</b></p> <p>Irregularities have been identified at Argoed in relation to the amount of money being transferred from the school fund to the delegated budget in relation to the Music Service feed for 18/19. In particular:</p> <ul style="list-style-type: none"> <li>• Approval of and evidence to support the transfer of funds was requested and not received.</li> <li>• The amount transferred from the school fund to the delegated budget for the music service (£16K) does not reconcile with the amount paid through ParentPay for Argoed (£4.6K).</li> <li>• Payments made through ParentPay as at 20 May 2019 show only 5% of the expected amount paid. All fees for the music service</li> </ul>	<p>Discrepancies in the figures provided to be investigated by the school and reconciled. A reconciliation to be completed yearly to ensure amount transferred from the fund to the delegate budget is in line with the parent payments received via ParentPay.</p> <p>URN 02678</p>	30/09/2019

No.	Findings and Implications	Agreed Action	When
	<p>should have been paid in full by 10 September 2018 as requested on the form.</p> <p>Additional expenses were also observed for a school trip to South Africa. The school have not been able to confirm the total cost for this school trip and provide evidence of approval by the Governing Body.</p> <p>This poses a risk that funds for the music service will not be recovered by the school, transfers from the school fund to the delegated budget have not been adequately approved, additional spend from the school fund has not been sufficiently considered and appropriately approved and that contributions from the school fund may be masking a deficit in the delegated fund.</p>		
5 (A)	<p><b>School Fund Regulation and Procedural Documents</b></p> <p>The Council is not responsible for the management of the fund. The School Fund Regulations 2017 is a high level guidance document provided to all schools.</p> <p>The Council consider that the onus is on the school to ensure their processes reflect the regulations.</p> <p>Procedures to provide guidance on the running of the School Fund account were not in place at Argoed.</p> <p>These procedural documents would assist with continuity of service in the event the business manager were absent or due to leave the post. This is particularly relevant at Argoed where turnover in this position is high (four business managers in the last two years), handovers have not been possible in all instances, and there is a lack of processes in place to manage the fund.</p>	<ul style="list-style-type: none"> <li>The Head Teacher and Business Manager to complete a review of current practices, possibly seeking advice from other schools, and revise these to incorporate findings from this review.</li> <li>Head Teacher/Business Manager to visit schools with best practice or to be shared at Business Manager Forums.</li> <li>Procedural documents to be drafted to include actions taken by the school to adhere to the school fund regulations, action owners, reporting and reconciliation requirements as well as approval mandates.</li> </ul> <p>URN 02679</p>	<p>30/09/2019</p> <p>30/09/2019</p> <p>30/09/2019</p>

No.	Findings and Implications	Agreed Action	When
	There is a risk that the lack of procedural guidance has meant key controls over the administration and management of the school fund account have not been effectively defined to newly appointed staff.		
6 (G)	<p><b>Fidelity Insurance</b></p> <p>The Council's insurance does not extend to the voluntary school funds or any other funds for which the council is not legally liable. The balance in the school fund at the time of the audit was £61.9K. Argoed did not have separate insurance for their school fund nor had this been considered by the governing body.</p> <p>Although this is not mandatory, a lack of fidelity insurance could put the fund at risk of loss in the event of fraud.</p>	<p>The Head Teacher and the Governing Body to consider the cost of insuring the school fund and document their decision and rationale for doing so.</p> <p>URN 02680</p>	31/10/2019
7 (G)	<p><b>Independent Audit of School Fund</b></p> <p>We noted that the independent auditor has been conducting the review of the school funds for a number of years. As such, evidence was not available of the governing body approval of the independent auditor.</p> <p>There is an inherent risk that an auditor's long term relationship with a school may impact on the independence of the annual audit. Whilst there was no evidence to suggest that independence had been compromised; the governing body should consider how best to challenge and maintain auditor independence including the rotation of appointment of auditors.</p>	<p>Approval of the independent auditor should be included in the minutes of the Finance Committee yearly. The Governing Body should consider the rotation of the appointed auditor to maintain independence.</p> <p>URN 02681</p>	30/04/2020

# Amber Red Assurance Opinions

# Appendix E

## Education & Youth – School Funds - Overall

Areas Managed Well	Areas Identified for Further Improvement
<ul style="list-style-type: none"> <li>All schools had the latest copy of the School Fund Regulations 2017.</li> <li>The majority of the schools (three out of four) had their school fund account audited by an independent auditor within the designated timescales. The school fund certificates were also sent to the Schools Accounting team.</li> </ul>	<p>The audit review identified that significant improvements in the control environment are required, which has resulted in an amber/red, (some) assurance and a conclusion of key controls are generally inadequate or ineffective. Our review identified:</p> <ul style="list-style-type: none"> <li>The controls in place to prevent loss of funds or fraud as a result of inappropriate access to the school fund require enhancements for some schools. <b>Agreed Management Action:</b> School fund regulations to be updated and to provide guidance on measures expected to mitigate the risk of loss of funds or fraud. <b>Due Date for Implementation:</b> 31/10/2019.</li> <li>Effective stewardship of the voluntary school fund falls to each school's head teacher and governing body who are responsible for challenging expenditure and providing oversight as required by the School Fund Regulations / Constitution. There is a lack of evidence the school fund has been independently reviewed by head teachers across the school year, and that the balance had been regularly reported to the governing body and parents as required in the Regulations. Additionally, there is also a lack of evidence the school governing body have attended training on school finances to assist with fulfilling their governors responsibilities. <b>Agreed Management Action:</b> School Fund Regulations to be updated to clearly define all school fund governance requirements relating to the management, oversight and reporting of the school fund. <b>Due Date for Implementation:</b> 31/10/2019.</li> <li>There are no documented procedures relating to the management of the School Fund at any of the schools audited. Additionally, the School Fund Regulations are high level and do not provide enough detail in relation to what constitutes appropriate expenditure, reporting and governance requirements and frequency. <b>Agreed Management Action:</b> The School Fund regulations should require each school to document the procedures followed in relation to the management of the school fund. This should include actions completed, owners, reporting and reconciliation requirements as well as approval mandates. The school fund regulations should be revised and provide detailed guidance on what constitutes appropriate expenditure, reporting and governance requirements and the frequency of this. These findings will also be shared at the next Head teachers Briefing Session (September—and the Flintshire Governors Association (October 2019). <b>Due Date for Implementation:</b> 31/10/2019.</li> <li>Although a school fund constitution was in place for all schools, three of the four were out of date, not approved</li> </ul>

	<p>or approved for the purpose of the audit.</p> <p><b>Agreed Management Action:</b> The School Fund Regulations which includes the School Fund Constitution appendix to be updated with the purpose of the fund, appropriate expenditure, administration and audit requirements. <b>Due Date for Implementation:</b> 31/10/2019.</p> <ul style="list-style-type: none"> <li>Anomalies have been identified with one school in relation to the amount of money being transferred from the school fund to the delegated budget to compensate for the Music Service and the inability to reconcile the accounts resulting in variances occurring most months. <b>Agreed Management Action:</b> The School Fund Regulations should require that a reconciliation be completed yearly to ensure an audit trail is available for the amount transferred from the school fund to the delegated budget and this has been approved by the Governing Body in line with the School Fund Constitution. <b>Due Date for Implementation:</b> 31/10/2019.</li> <li>Records kept by the school accounting team are not up to date to facilitate the monitoring of the receipt of the school fund audit certificates. <b>Agreed Management Action:</b> The School Fund Regulations to be prescriptive and to advise the reporting period for the school fund. Additionally, a cut off period should also be agreed on when the audited accounts certificate are required to be sent to accountancy. The accountancy team to follow up with the schools which have not adhered to the agreed process and timescales. <b>Due Date for Implementation:</b> 31/10/2019.</li> <li>The Council's insurance does not extend to the voluntary school funds or any other funds for which the council is not legally liable. Evidence was not available that each school's governing body had considered fidelity insurance to protect its school fund against the potential of fraud or theft. <b>Agreed Management Action:</b> School Fund Regulations to suggest each head teacher and their respective governing body consider the cost of insuring the school fund and document their decision and rationale for doing so. <b>Due Date for Implementation:</b> 31/10/2019.</li> <li>Approval of the independent auditor by the governing body was not available for the schools sampled and schools have not considered utilising different auditors to maintain the independence of the auditor. <b>Agreed Management Action:</b> School Fund Regulations to suggest the approval of the independent auditor should be included in the minutes of the Finance Committee yearly and that schools should consider the rotation of auditors to maintain their independence. <b>Due Date for Implementation:</b> 31/10/2019.</li> </ul>
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## Education & Youth – School Funds – Broughton Primary School

Areas Managed Well	Areas Identified for Further Improvement
<ul style="list-style-type: none"> <li>The school had the latest copy of the School Fund Regulations 2017.</li> <li>The school fund account was audited by the independent auditor within the designated timescales. The school fund certificate was also sent to the Schools Accounting team. No issues were identified by the auditor.</li> <li>School fund transaction sampled were reconcilable to statement.</li> </ul>	<p>The audit review identified that significant improvements in the control environment are required, which has resulted in an amber/red, (some) assurance and a conclusion of key controls are generally inadequate or ineffective. Our review identified:</p> <ul style="list-style-type: none"> <li>The Broughton primary school fund bank mandate was out of date and included staff who had left the school five weeks previously. A number of chequebooks were in use for the school fund at the same time and staff were unable to account for all of these during the audit, only realising one was missing during the audit meeting. Management advised that it was located the following day. The business manager also advised that a new cheque book was utilised for each financial year. However, previous years' unused cheques had not been voided. <b>Agreed Management Action:</b> School fund mandate to be reviewed and updated prior to personnel leaving the role/school. Only one chequebook to be used at a time and this should be kept in a locked safe. <b>Due date for this action:</b> 30/9/2019.</li> <li>There is a lack of evidence the school fund had been independently reviewed by the head teacher, and that the balance had been regularly reported to the governing body and parents as required in the Regulations. Additionally, there is also a lack of evidence the school governing body have attended training on the operation of the school finances including the school fund in order to fulfil their governors responsibilities. <b>Agreed Management Action:</b> The balance of the School Fund to be reported to the governing body regularly as well as parents. Head teacher to review the reconciliation of the funds accounts on a monthly basis and to sign and date the statements and income and expenditure forms reviewed. Key Governing Body members to attend Managing School Finances training and records of attendance to be retained. <b>Due date for this action:</b> 31/12/2019.</li> <li>Operational procedures which define how Broughton Primary will administer and manage the School Fund in line with the regulations were not in place. We identified that the school fund is being utilised incorrectly for purchases which should be paid for under the delegated budget so as not to attract VAT. <b>Agreed Management Action:</b> Broughton Primary school to document the procedures followed in relation to the management of the school fund. This should include actions completed, owners, reporting and reconciliation requirements as well as approval mandates. <b>Due date for this action:</b> 30/9/2019.</li> <li>Although a school fund constitution was in place, it was out of date. The previous business manager, who had</li> </ul>

	<p>left the school 5 weeks prior to the audit, was still named on the constitution.</p> <p><b>Agreed Management Action:</b> The Head Teacher at Broughton Primary school to ensure the school fund constitution is updated, has been approved by the governing body and is reviewed on a yearly basis. <b>Due date for this action:</b> 31/10/2019.</p> <ul style="list-style-type: none"> <li>• The Council's insurance does not extend to the voluntary school funds or any other funds for which the council is not legally liable. Evidence was not available that the school's governing body had considered fidelity insurance to protect its school fund against the potential of fraud or theft.</li> </ul> <p><b>Agreed Management Action:</b> Broughton Primary's Head Teacher and the governing body to consider the cost insuring the school fund and document their decision and rationale for doing so. <b>Due date for this action:</b> 31/12/2019.</p> <ul style="list-style-type: none"> <li>• Approval of the independent auditor by the governing body was not available and the school had not considered utilising different auditors to maintain the independence of the auditor.</li> </ul> <p><b>Agreed Management Action:</b> Approval of the independent auditor should be included in the minutes of the finance committee yearly. The governing body should also consider how to maintain the independence of the appointed auditors. <b>Due date for this action:</b> 30/09/2019.</p>
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## Streetscene & Transportation - Alltami Stores Follow Up

Areas Managed Well	Areas Identified for Further Improvement
<ul style="list-style-type: none"> <li>Out of the original 11 actions from the 2016/17 Review of Alltami Store we have found that 3 have been implemented, 4 are in progress, 2 not implemented and 2 no longer valid.</li> </ul>	<p><b>All items of small plant hire are not recorded or indeed known about (Original URN 1906)</b></p> <ul style="list-style-type: none"> <li>The action is partially implemented as the current location of all small plant is still unknown, management is also yet to combine both processes and report consistently via a single spreadsheet that is updated with scrappage, auction value and write offs.</li> </ul> <p><b>Agreed Management Action:</b> Continue to use the Plant Hire record and update between GoPlant and the authority as items are recovered and maintained. Update the write-off process and record this on Plant Hire spreadsheet. <b>Due Date for this action:</b> 01/09/2019.</p> <p><b>Staff can request PPE clothing as and when they like. Original URN 1908.</b></p> <ul style="list-style-type: none"> <li>The action is not implemented as formalisation of issuing PPE is yet to be introduced or monitored against individual staff. There is no record of returned items kept and spend remains at a significant level.</li> </ul> <p><b>Agreed Management Action:</b> Review the functionality of the barcode system with IT. Staff from the Service have visited NEWCIS to review their stores monitoring system and intend to expand the system to operate in Streetscene and Transportation. The new process included bar coding. Supervisors to sign off any new PPE issued. The new stock control system will provide Supervisors with updates on PPE issues to monitor excess use. <b>Due Date for this action:</b> 01/01/2020.</p> <p><b>Agency workers are supplied with Council clothing containing Flintshire County Council's logo. Original URN 1909.</b></p> <ul style="list-style-type: none"> <li>The action is not complete as agreement has yet to been made with agencies about the return of PPE to FCC on termination of contract.</li> </ul> <p><b>Agreed Management Action:</b> Review contracts with agencies with regard to minimum level of PPE provided. Flintshire County Council has a duty to ensure the health and safety of all agency staff and it would be inappropriate to request the agency company to provide specialist PPE such as ballistic trousers for waste operatives. The service will however speak to the agency regarding the provision of basic PPE equipment such as steel toe cap shoes and reflective coats. <b>Due Date for this action:</b> 01/10/2019.</p>

	<p><b>Items of stock which are have been ordered in error require a decision being made to keep it or not. The items are in the region of £15K. Original URN 1913.</b></p> <ul style="list-style-type: none"> <li>One set of van ladders was purchased for approximately £15,000 in 2014 by housing in error and delivered to the stores. The ladders have remained unused since their purchase and have been kept at the stores. These have now been moved outside of the stores due their size. The action has not been implemented as the ladders have remained at the stores since their purchase and no decision has been made as to whether the cost of the ladders £15k should be written off by the service or disposed in line with the FPRs.</li> </ul> <p><b>Agreed Management Action:</b> Escalate to Chief Officer for Housing and Assets. <b>Due Date for this action:</b> 27/06/2019.</p> <p><b>The emergency stock store has inadequate controls surrounding the inventory and the removal of stock. Original URN 1914.</b></p> <ul style="list-style-type: none"> <li>The action is not fully implemented as an inventory is not kept of what items are in the emergency store. Management are unable to identify what items are kept here and review if items are being removed without being signed out correctly and if larger items are being returned after use.</li> </ul> <p><b>Agreed Management Action:</b> Introduce inventory for emergency store. Ensure that stock takes are done to check that items are correctly being signed out when removed. <b>Due Date for this action:</b> 01/08/2019.</p> <p><b>Security at the store should have restricted access and further controls embedded. Original URN 1915.</b></p> <ul style="list-style-type: none"> <li>The action is not fully implemented as access to the stores and cages is not sufficiently controlled or monitored using the reports available.</li> </ul> <p><b>Agreed Management Action:</b> Sign in and out items from the cages are of the stores. Regular Compliance checks to take place to ensure new processes are being adhered to. IT access reports to be run regularly. <b>Due Date for this action:</b> 01/07/2019.</p>
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## Action Tracking – Portfolio Performance Statistics

## Appendix F

Portfolio	August 2019 Statistics			Live Actions - As at August 2019			Actions beyond <u>Original</u> due date	
	Number of Actions Raised <b>Since January 2016</b>	Actions Implemented since Jan 2016 (including Actions No Longer Valid)	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date (excludes Actions with revised due date)	Actions with a Revised Due Date	Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
Chief Executives *	45	44	82%	1	0	1	0	1
Education & Youth	89	63		26	0	1	0	1
Governance *	140	127		13	1	12	3	4
Housing & Assets *	160	132		28	2	6	0	3
People & Resources	195	164		31	7	6	1	3
Planning, Environment & Economy *	68	56		12	5	8	1	5
Social Services	109	97		12	4	4	2	0
Streetscene & Transportation	104	78		26	5	1	0	0
External	27	26		1	0	1	0	1
Individual Schools	138	92		46	16	4	1	0
<b>Total</b>	<b>1075</b>	<b>879</b>		<b>196</b>	<b>40</b>	<b>44</b>	<b>8</b>	<b>18</b>

\* Actions removed and relocated within External e.g. Clwyd Pension Fund

\* Actions removed from Community & Enterprise and reallocated between Governance, Housing & Assets and Strategic Programmes & Planning, Environment & Economy

# Actions Overdue and Older than 6 months (where overdue)

# Appendix G

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
<b>Governance</b>									
Deferred Charges on Properties: 2018/19	2412	A spreadsheet will be set up which records all legal charges that relate to the Council.	M	31/07/2019	-	0	No update provided	No update provided	No update provided
<b>Housing &amp; Assets</b>									
DFG: 2016/17	2058	<p>Monthly reconciliation to be completed between DFG spreadsheet with the information provided by finance to ensure budget spend is accurately reported and managed as well as providing an accurate overview of all grants in process.</p> <p>Following the review of the current process in an attempt to streamline, target dates to be assigned to all process steps.</p> <p>Monthly reporting to be generated to review progress of delivery against agreed</p>	M	31/05/2018	30/06/2019	14	4	<p>There are still some outstanding issues in relation to budget reconciliation and projections which are currently being addressed.</p> <p>The internal KPI's have been agreed on the basis that they are based on the overall Indicator of completion within 247 days. These will be tested and altered as the new processes bed in.</p> <p>There are still some outstanding issues, however, in relation to</p>	

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Page 239 Timelessness 2018/19		SLAs.  Review of cases where SLAs have not been achieved to understand reasons for delay and opportunities for process improvements.  Internal KPIs to be established to monitor DFG delivery.						monitoring of SLAs and audit trails in relation to financial reconciliation which still need to be addressed. A revised completion date of 30th June is suggested to allow for this work to be completed.	
	2495	Training matrix to be developed to ensure all training requirements are identified and recorded in one central location.	L	31/07/2019	-	0	No Update Provided	No update provided	No update provided
<b>People &amp; Resources</b>									
Working Time Regulations 2017/18	2120	A report will be produced on a quarterly basis for each Portfolio to identify all employees who have worked on average in excess of 48 hours over a 26 week period (this new timeframe is documented within the latest Council policy).	M	31/07/2018	-	12	13/03/2019	We prepared working time leaflets in advance of preparing and launching the policy. The policy is on the Infonet and from memory went out originally via workforce news.  Managing working time is a management responsibility so we have targeted managers rather	

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Page 240								<p>than staff. The TUs adopt the same approach. As you might expect, effort is concentrated on the areas where there are lots of additional hours and/or overtime worked - some services do not have any spend recorded in this record. We also run reports periodically to establish average hours worked over the 17 week reference period. The policy agreed with the TUs enables us to increase the reference period to accommodate seasonal peaks (for example Panto season, winter maintenance) which should mean going forward that there are fewer opportunities for non-compliance.</p> <p>This is an area that will remain under scrutiny as it is critical from a health and well-being perspective, especially when stress is recorded as the number one reason</p>	



Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
								for absence (as working regular, long hours without the required rest breaks contributes).	
Working Time Regulations 2017/18 Page 241	2123	<p>A report will be produced on a quarterly basis for each Portfolio to identify all employees who have worked on average in excess of 48 hours over a 26 week period (this new timeframe is documented within the latest Council policy).</p> <p>This information will be shared with each Chief Officer for review and action and concerns will be escalated as required to the Senior Manager HR &amp; OD and Head of Paid Service.</p>	M	31/07/2018	-	12	13/03/2019	<p>We prepared working time leaflets in advance of preparing and launching the policy. The policy is on the Infonet and from memory went out originally via workforce news.</p> <p>Managing working time is a management responsibility so we have targeted managers rather than staff. The TUs adopt the same approach. As you might expect, effort is concentrated on the areas where there are lots of additional hours and/or overtime worked - some services do not have any spend recorded in this record. We also run reports periodically to establish average hours worked over the 17 week reference period. The policy agreed with the</p>	

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Working Time Regulations 2017/18	2201	The overall position of the Council is to provide a work life balance for all employees. In respect of Social Services employees, management were aware of the working time regulations and the challenges of meeting these versus the regulatory requirements in terms of	M	31/07/2018	-	12	No update provided	<p>TUs enables us to increase the reference period to accommodate seasonal peaks (for example Panto season, winter maintenance) which should mean going forward that there are fewer opportunities for non-compliance.</p> <p>This is an area that will remain under scrutiny as it is critical from a health and well-being perspective, especially when stress is recorded as the number one reason for absence (as working regular, long hours without the required rest breaks contributes).</p>	No update provided
								No update provided	

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Page 243		<p>continuity of care for vulnerable people who require overnight support. Managers have taken actions to minimise the tensions of this by engaging staff on a rota basis and increasing the use of concessionary rest periods.</p> <p>The service is not in a position to make additional appointments to cover sleep in work hours as the service has to ensure continuity of care for service users it is essential that this is maintained. No concerns have been raised by the employees identified, however any issues reported would be addressed. In addition, it is worth noting that employees who work sleep-ins are rarely 'called-on' to work and therefore are not actually working during this period despite being recorded as working to comply with the Regulations.</p> <p>Taking into account all of the above, the level of risk has been considered and</p>							

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed	
Page 244		accepted in operational terms.  The introduction of the monitoring reports (2A & 3A) will assist in identifying any further significant concerns which will be actioned as necessary.  In addition for Social Services Portfolio, a report will be produced on a quarterly basis to identify the number and frequency of employees called-on to provide reassurance. This should prompt management intervention, if required.								
	Main Accounting GL 2018/19	2376	Under the Finance restructure the revenue budget management team will take ownership of the monitoring of the Revenue Control, Holding and Suspense accounts.	L	31/03/2019	-	4	No update provided	No update provided	No update provided
	Main Accounting GL 2018/19	2401	A review of the internal recharges undertaken by IT, and for Occupational Health and Welsh Translation recharges, will be undertaken and a new and efficient process taken forward to be	L	30/06/2019	-	1	No update provided	No update provided	No update provided

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
		agreed by Chief Officers.							
Occupational Health Unit: 2018/19  Page 245	2499	In the OH draft report, evidence has been provided to support a financial reduction to the provision of counselling.  The cost saving has been attributed to the provision of the Employee assistance programme(EAP) Care First.  OH plan to relaunch the care first awareness and in particular raise manager awareness of the service.  A financial assessment will be undertaken in advance of any decision to provide an OH service to external organisations.	M	20/07/2019	-	0	No update provided	No update provided	No update provided
Main Accounting AP & P2P: 2017/18	2618	The Housing Finance team will undertake regular reviews of the monitoring undertaken by the Capital Works team to ensure transactional reports are reviewed as part of monitoring.	H	31/07/2019	-	0	No update provided	No update provided	No update provided

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
<b>Planning, Environment &amp; Economy</b>									
Section 106: 2015/16  Page 246	285	<p>The Local Planning Guidance Notes are currently being brought up to date to allow continued use of the Unitary Development Plan (UDP). Whilst the UDP has technically expired, the intention is to keep the plan 'alive' for as long as possible.</p> <p>The bulk of the 'comments' from the LPGN consultation process were reported to the Planning Strategy Group on 25th February 2016. LPGN 22 will be reviewed as required following the adoption of the updated LPGN's.</p> <p>The updated LPGN's (which are still in the consultation period) will be adopted by 30th April 2016. If it is determined that further update to LPGN 22 is required (in particular to take account of the adoption of LPGN 23, Education Contributions - adopted July 2012) then we could expect</p>	M	31/07/2016	30/06/2019	37	18/12/2018	<p>Clearly LPG 22, as overarching guidance, can only be updated once all individual LPGs have been updated, and there is still work to be done to update LPG13 (see below).</p> <p>Lastly, as each individual LPG is up to date (except LPG 13) each can be applied to the consideration of planning applications and any developer obligations that arise.</p> <p>The risk in not updating LPG 22 is therefore very low and can be managed in due course once individual LPGs are updated. This must therefore be a 'green' in terms of risk status.</p>	As referred to in previous comments by Sally Gee. Overarching LPG22 cannot be updated until SPG revisions are complete.

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
		the adoption of an updated LPGN 22 by 31st July 2016.							
Planning Enforcement 2016/17  Page 247	1892	<p>Process mapping to be commenced in July 2017 will form the basis of training notes in order for any officer to be able to use the Flare enforcement system.</p> <p>Completion of training notes November 2017.</p>	L	30/11/2017	30/04/2019	21	18/12/2018	<p>To bring in line with action 1885.</p> <p>Intended that the restructure will be complete by end of November 2017 then time required to complete lean process and set down in procedures for the service to rely on.</p> <p>Restructure completed 1st January 2018. The newly created teams need time to reflect on the processes recorded prior to the restructure and how to change and update these to reflect new and best practice.</p> <p>Following the restructure a Senior Officer has resigned and following interviews the existing Enforcement Officer has been promoted to that role. Further advertisement and interviews took place to</p>	<p>Newly appointed enforcement officer for the South Team and the North Team leader have been booked onto the Trevor Robert intensive enforcement training course in February 2019. The North Team enforcement officer remains on the waiting list. Formal training notes for the use of FLARE are have not yet been produced as time has instead been directly to the pursuit of the new software system.</p>

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
								appoint a new enforcement officer. This appointment commenced on 30th April 2018. During that time focus has been on dealing with other enforcement actions required.	
Planning Enforcement 2016/17	1885	<p>The service will review how enforcement referrals are investigated through process mapping and ensure that consistency exists within the team.</p> <p>Alternative software providers are also being sought to assist with the process with short, medium and long term digital aims to be agreed by July 2017.</p>	H	31/08/2017	30/04/2019	24	14/01/2019	<p>The service firstly needs to be restructured and embedded with new policy in use. This may not be completed to late November. Time is then required to review mapping and reflect, plan change to process and implement.</p>	<p>As reflected in the update audit report. The two planning assistant posts are now established and the process of registering, plotting, prioritising and acknowledging complaints is fully underway. Standard correspondence in relation to warning letters, enforcements notices and appeals have been developed. Unfortunately as there was a delay to securing funding to procure a new software system ML is reluctant to map processes to a defunct current software system. In October 2018 Asset Programme Board agreed the funding to procure a new system. ML has</p>



Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
									undertaken primary project planning meetings with procurement and IT. The required IT specification for the enforcement process and every other service within development management will be reflected within that IT specification requirement.
Resolution Control: 2017/18	2048	A new computer system is being considered for Planning and Environment which should address or improve the issues. However IT have reported that this is still in its infancy and could take a long time to implement. In the interim 'smarter' ways of working should contribute to avoiding duplications.	L	31/03/2018	31/05/2019	17	08/11/2018	Computer system will take a length of time to be agreed upon and implemented, and further impacted by move to Ewloe. Smarter apps for efficient working practices are being considered in the meantime.	
Deferred Charges on Properties 2018/19	2459	A report will be run from the Civica System (or equivalent financial system) detailing all grants and loans that are the responsibility of the Health & Safety Team Leader (Community and Business Protection).	M	30/04/2019	-	4	No update provided	No update provided	No update provided

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
<b>Social Services</b>									
Deferred Charges: 2018/19  Page 250	2438	The Business Manager (Social Services) will liaise with the Senior Housing Officer to formalise the information needed from Housing Officers and what proof they require i.e. a screen shot to prove whether or not the applicant lives in a Council owned property.  A Housing Officer will then be nominated as a key contact.	L	30/04/2019	28/06/2019	3	24/06/2019	Awaiting information from Vic Davies on progress	An application was submitted to Lyndsey Hamer Open Housing IT Support for the FACT team to have access to Open Housing. The reason was contained within the application. The application for access was reviewed by the Chief Officer for Housing and Assets and it was declined as the reasons for requesting was not significant enough. This action is now closed.
Corporate Health & Safety: 2018/19	2508	The induction pack will be shared as good practice to service areas	L	31/05/2019	-	2	06/08/2019	The induction pack has been shared with older people's service's. In addition the Service User Guide and welcome pack are being updated and this will be completed by the end of September 2019. This information will be added into and amended to be appropriate for staff as well as people who use	

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
								our services.	
Corporate Health & Safety: 2018/19  Page 251	2509	It is recognised that there have been weaknesses in the systems for recording training within the Portfolio and there has been a change in the process to have uniformity collecting information. As a result significant improvements have been seen	M	31/05/2019	-	2	06/08/2019	The training database is being established across the whole of regulated services. It is expected that this will be completed by October 2019 and will also form part of the ongoing regulatory requirements that form part of the annual return for the Regulations and Inspection of Social Care (Wales) Act 2016.	
Corporate Health & Safety: 2018/19	2510	A separate risk assessment for staff will be created for Llys Eleanor, incorporating the generic ones and to update for all risks	L	30/06/2019	-	1	11/07/2019	Individual risk assessments for staff have been completed and are the responsibility of the manager and the senior care. An overarching generic risk assessment based on an example shared as part of this audit process has also been established and is now operational.	
Streetscene & Transportation									

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
IT Procurement Contracts 2017/18  Page 252	2278	<p>This action is to be addressed by ITU in undertaking future DPS project and adequate timescales will be provided for the project.</p> <p>Whilst the existing DPS will end in 22/23 the contracts let under the current arrangement will have varying end dates. This will reduce the impact on the service and allow a staggered introduction of routes under the new DPS.</p> <p>The operators will also be more used to completed the necessary documentation prior to inclusion on the new DPS which will ensure this element of the next procurement will be completed more quickly.</p>	H	30/06/2019	-	1	No update provided	No update provided	No update provided
IT Procurement Contracts 2017/18	2287	Submissions from new suppliers can be sent at any time during the six year DPS project. There is an obligation to evaluate these responses within 10 working days. If a company is successful they are added into the contract and will automatically receive	M	30/06/2019	-	1	No update provided	No update provided	No update provided

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
		<p>notifications of mini competitions or RFQ's going forward.</p> <p>The respective service area will be notified of all suppliers who have been approved and it will be their responsibility to ensure that the suppliers have been added to the contract.</p>							
Health & Safety Management: 2018/19	2626	List of none attendees for training will be sent to line managers for justification and training to be rescheduled.	M	31/07/2019	-	0	No update provided	No update provided	No update provided
Health & Safety Management: 2018/19	2628	Equipment in the workshop identified as requiring red stickers will be labelled and include clear instruction on maximum exposure times.	M	30/06/2019	-	1	No update provided	No update provided	No update provided
Alltami Stores Follow Up: 2018/19	2657	<p>Sign in and out items from the cages are of the stores. Regular Compliance checks to take place to ensure new processes are being adhered to.</p> <p>IT access reports to be run regularly.</p>	H	01/07/2019	-	1	No update provided	No update provided	No update provided

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
<b>Individual Schools</b>									
Ysgol Penyffordd Risk Based Thematic Review 2017/18	2249	Monitor the agreed responsibilities of the outsourced Data Protection Officer via the Service Level Agreement, when updated SLA is received.	M	31/12/2018	31/07/2019	7	24/04/2019	The DP contract is discussed as an agenda item at GB and will be discussed at Consortium, several schools have reported difficulty in contacting provider and other options are being reviewed. HT and Senior staff have all had DP training and would seek advice from the Council.	
Risk Based Thematic Review 2018/19 - Hawarden Village	2506	All orders raised will be appropriately authorised to ensure a clear audit trail exists.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - Hawarden Village	2507	All orders raised will be appropriately authorised to ensure a clear audit trail exists.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic	2524	The school will ensure that an appropriate person is	M	31/07/2019	-	0	No update provided	No update provided	No update provided

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Review 2018/19 - Ysgol Merllyn		appointed to the role of Data Protection Officer in line with the Act.							
Risk Based Thematic Review 2018/19 - St David's High	2531	A Scheme of Delegation will be produced and approved by the governing body in line with the controls in place.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - St David's High	2532	A Terms of Reference for the Performance Management panel will be created and approved by the governing body.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - St David's High	2533	The approval of school policies will now be specifically listed within the governors meeting minutes to ensure a clear audit trail exists.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - St David's High	2534	A Document Retention Policy will be created, in line with the Information Asset Register and approved by the governing body.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review	2535	The schools Acceptable Use Policy will be shared with all members of staff and	M	30/06/2019	31/07/2019	1	09/07/2019	Update from Andrea Brown 02/07/19 – Awaiting some members	

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
2018/19 - St David's High		agreement to the conditions will be obtained.						of staff to sign the ICT acceptable Use Agreement. These will be chased up.	
Risk Based Thematic Review 2018/19 - Trelogan	2539	A signed copy of the Service Level Agreement has now been obtained.  Compliance checks against the agreement will be undertaken during the summer term.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - Trelogan	2541	The School will operate to the Council's guidance on Scheme for Financing Schools and Schools Financial Procedures and seek approval from the Governing Body.	L	10/06/2019	-	1	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - Trelogan	2542	A Scheme of Delegation will be produced and approved by the governing body in line with the controls in place.	L	10/06/2019	-	1	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 -	2544	The Acceptable IT Use Policy will be updated and approved by the governing body. The policy will be	M	31/07/2019	-	0	No update provided	No update provided	No update provided



Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Hawarden Village		shared with all students and staff and signatures will be obtained accepting the conditions.							
Risk Based Thematic Review 2018/19 - Owen Jones	2547	The Privacy Notice will be amended to include School Suppliers or Catering and Leisure Providers which will cover NEWYDD and AURA.	L	31/07/2019	-	0	No update provided	No update provided	No update provided
Risk Based Thematic Review 2018/19 - Hawarden Village	2572	The school will arrange for the Service Level Agreement to be signed by both parties.	L	30/06/2019	31/07/2019	1	09/07/2019	Update from Sue Leonard 04/07/19 – Currently due to renew SLA with David Bridge – new signed SLA will be sent ASAP	
Risk Based Thematic Review 2018/19 - St David's High	2578	The school will arrange for the Service Level Agreement to be signed by both parties.	L	30/06/2019	31/07/2019	1	09/07/2019	Update from Andrea Brown 02/07/19 – I have emailed and spoken on the phone to David Bridge - He has said he will send me a signed copy. Still awaiting copy of SLA. Chaser email sent.	

# Actions Older than 6 months from Original Due Date

# Appendix H

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
<b>Chief Executives</b>									
Risk Management 2016/17	2004	<p>Service Plans should include operational risks / emerging risks in accordance with the guidance in the Council's Risk Management Policy &amp; Strategy.</p> <p>This needs to include:</p> <ul style="list-style-type: none"> <li>• More immediate and visible reporting of risk;</li> <li>• Clarity of roles around the escalation of risk;</li> <li>• Appropriate responsibility for agreed risk mitigations.</li> </ul>	M	31/03/2018	01/12/2019	20/08/2019	<p>Update from Karen Armstrong 20.08.2019 – Risk reporting for strategic reports as from September 2019 will give a greater profile for risk identification and mitigation.</p> <p>Training and awareness is taking place August to October to ensure that all report writers are aware of the improvements.</p>		<p>Business Plans have been revised for 2018/19 to cover a 3 year period. Alongside these are the more operational Service plans at Service or Team level.</p> <p>All service plans are to include operational and emerging risks, with clear responsibilities for risk mitigation.</p> <p>The escalation protocol for risks has been established.</p> <p>Risk will be given a higher profile on strategic reports.</p>
<b>Education &amp; Youth</b>									
Youth Justice 2016/17	2045	Devise a contingency business case to	M	31/03/2018	31/10/2019	15/09/2019	A business case has been submitted and	Ann Roberts has submitted a Business	Youth Justice 2016/17

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 259		identify and mitigate risks against statutory and non-statutory grants to assist with the business continuity. Review opportunities identified by the external review to develop a succession plan. Approval to be obtained for both of these initiatives from the Chief Executive.					approved by Chief Officer and is being progressed by Claire Homard in responsible officer's absence.	Case to Chief Officer Claire Homard and Chief Executive Colin Everett for consideration.	
<b>Governance</b>									
PCIDSS Compliance (2015/16)	1516	The officer working group should ensure that the self-assessment is completed drawing on the full range of professional expertise and	H	31/12/2016	29/07/2019	15/08/2019	The Council has implemented the necessary changes to ensure compliance with web payments and with payments taken via kiosks in Connects Centres. There is a	Progress is being made with this implementation but It will not be fully complete by the target date. On this basis, I will move the push the target date back again.	The completed detailed SAQ'S will be completed in Q1 of 2019/20  Revised workforce procedures have now been introduced as part of managing risks

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 260		experience of the group.					remaining area of non-compliance with payments taken over the phone that will require new software. The council is looking at how many licences it needs and whether to simply divert some payments from phone to web prior to purchasing and implementing the new software. If/when funding is agreed the council will be able to commission a software supplier and establish a firm date for implementation and thus achieving compliance		associated with PCIDSS (aligned to another audit recommendation) and work to complete the SAQ'S will now commence in January 2018 as part of a join
	1505	<p>Services accessed by Flintshire Connects cannot always be delivered in full.</p> <p>A fundamental review of all customer facing services will be undertaken to explore the best future method of delivery, including</p>	M	30/09/2017	31/03/2020	02/05/2019	A fundamental review of all customer facing services has not commenced as the priority for Customer Contact is telephone access to Council services. The Customer Service Strategy is aligned to the Customer Work stream of the Digital Strategy and the current	The review group have now finished the initial analysis and met with all portfolio's to determine where change is required. The work carried out by the group has identified a number of areas across the council where the digital offer needs to be improved to enable reduction in both	A Programme Manager to lead this transformation project has now been appointed.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 261		face to face, through Connects centres backed up by feasibility studies for areas where greatest efficiency could be achieved. This review will look in the first instance at service delivery methods across all Portfolios and assess if they are sufficiently lean and a decision made on what services could be delivered through Connects without overlap and duplication. Following the review a strategy will be formulated on how services will be delivered in the future.					focus is on merging Contact Centre teams and relocating a single team at Ty Dewi Sant, Ewloe. The decision to transform telephone contact superseded the Audit of Flintshire Connects and resources have had to be reprioritised. A review of face to face services is a commitment within the Customer Services Strategy and this acknowledges the work undertaken by Audit. It is important that the face to face services delivered by Flintshire Connects are appropriate in order to support our most vulnerable customers. A new post has been established within Customer Contact and the Customer Contact Manager is expected to be recruited by the end of May 2019. This person will have managerial responsibility for	telephone calls and face to face provision for a number of services, examples include, logging repairs and Streetscene general report it type functions. It has also identified tasks that could be better delivered by Connects and release back office efficiencies.  The work completed has identified that the delivery of the Customer Service Strategy and the Customer Workstream of the Digital Strategy need to be closely aligned and also that the scale of the work that needs to be done to deliver the transformation across the council is beyond what the review group can deliver in the timescales required. It has been agreed that a dedicated resource is required to programme manage this transformational project going forward and work	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
							Flintshire Connects and Contact Centre. This role will oversee the successful merger of Contact Centres team and after a period of stability will be able to focus on undertaking a fundamental review of customer facing services as described in the audit recommendations.	is now underway to recruit to this position so that the work required can be driven forward.	
Flintshire Connects (2017/18)	1514	Services are not always being delivered in the most efficient ways.  Services delivered through Flintshire Connects Centres will be evaluated for the most appropriate, efficient and effective delivery methods.	M	30/09/2017	31/03/2020	02/05/2019	Following this audit and the revision of the Customer Service Strategy a Customer Service Strategy Review Group was formed and tasked to begin reviewing all customer contact across the Council with a focus on how we currently deliver services (face to face, telephone and digital) and looking at the aspirations of how we could deliver differently to ensure we are utilising the most appropriate channels for services/customer	The review group have now finished the initial analysis and met with all portfolio's to determine where change is required. The work carried out by the group has identified a number of areas across the council where the digital offer needs to be improved to enable reduction in both telephone calls and face to face provision for a number of services, examples include, logging repairs and Streetscene general report it type functions.	A Programme Manager to lead this transformation project has now been appointed.  The customer transformation work this post will lead on is a three year project. For this reason the revised implementation date has been amended to 01.09.19 where a more detailed update on both work completed and planned works for future will be available.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Procurement	1649	The supplier performance	M	31/03/2018	31/10/2019	17/04/2019	contact.	<p>It has also identified tasks that could be better delivered by Connects and release back office efficiencies.</p> <p>The work completed has identified that the delivery of the Customer Service Strategy and the Customer Work stream of the Digital Strategy need to be closely aligned and also that the scale of the work that needs to be done to deliver the transformation across the council is beyond what the review group can deliver in the timescales required. It has been agreed that a dedicated resource is required to programme manage this transformational project going forward and work is now underway to recruit to this position so that the work required can be driven forward.</p>	The Supplier & Contract Performance
							To promote the current functionality would be	With respect of action 1649, it is still a work in	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
2016/17		management template is now available in Proactis for completion by contract officers. Contract officers will receive a reminder from Proactis to use the contract management module. All relevant contract officers should receive notification so they know the supplier performance management template is available and must be used.					counterproductive in light of the need to re-train officers when new product release is launched.	progress, due to awaiting on PROACTIS to develop their product to allow more streamlined functionality to allow performance questionnaires to be undertaken. This has now been done a few weeks ago.  We are also seeking clarifications from the Procurement Manager in how she wants to undertake contract / supplier performance management going forward in the light she is revising the CPRs as well.	Management module within the PROACTIS system is currently being enhanced with new functionality that is due to be released for use before the end of this calendar year. Therefore, the Council needs to take stock of the new functionality when it becomes available before we promote and remind officers to use the new performance management module. To promote the current functionality would be counterproductive in light of the need to re-train officers when new product release is launched.
Joint Corporate Procurement Unit 2017/18	2253	Our review of Governance arrangements identified;  • There is inadequate scrutiny of JCPU objectives and outcomes by	M	31/10/2018	21/12/2019	13/05/2019	CPR's are in the process of being revised, currently out for consultation but there may be further changes required as a result of Brexit. No immediate risk to be managed as existing CPR's will	CPRs have been re-drafted and are being considered by Chief Officer Governance	CPRs have been re-drafted particularly in relation to variations, extensions and exceptions, but the opportunity has been taken to make other changes to the Rules to update them. This has



Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 265		<p>Joint Procurement Board (JPB) and by relevant Council committees to address lack of progress with achieving the primary objectives of the JCPU business case around Efficiency, Capacity and Markets (1.1).</p> <ul style="list-style-type: none"> <li>• Delays in the alignment of procurement strategy and procurement activity across the two Councils. Recent changes, e.g. board membership and corporate priorities, means that the strategy contains out of date information (1.2).</li> <li>• Limited processes in</li> </ul>					remain in place whilst the revision is on		included changes to reflect Brexit and to emphasise the importance of local supplier opportunities (so that for example, the emphasis on using frameworks has been removed). The revised CPRs are being considered by Officers prior to a consultation. In addition, some further changes may be required to reflect procurement arrangements post Brexit and also the transitional arrangements.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 266		<p>place for measuring and recording efficiency savings achieved through collaborative procurement. There is no evidence that efficiency savings and benefits have been reported to the JPB (1.3).</p> <ul style="list-style-type: none"> <li>Limited evidence of reporting of KPI's to the JPB / no robust targets in place for KPI's (1.4).</li> <li>Insufficient systems for recording and monitoring the split of procurement staff time across the two Councils (1.5).</li> <li>Meetings of the JPB not taking place on a regular basis,</li> </ul>							

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 267		<p>agendas for the JPB meetings not prepared and circulated in advance of meetings and JPB minutes not available for all meetings / minutes not circulated on a timely basis (1.6).</p> <ul style="list-style-type: none"> <li>Limited monitoring and evaluation of expenditure by category and aggregated spend (across services and/or Councils) by the JCPU to ensure opportunities for efficiency savings through collaborative procurement exercises are identified (1.7).</li> <li>Due to limited availability of data, monitoring of contract end</li> </ul>							

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 268		dates by the JCPU cannot take place to ensure opportunities for efficiency savings through collaborative procurement or alternative procurement models are appropriately explored (1.8).							
Legal Case Management System 2017/18	2361	Discussions should be held with Information Compliance Officer in IT Business Services with a view to ensuring that the Iken System is compliant with the General Data Protection Regulations (Data Protection Act 2018).	M	30/11/2018	13/12/2019	05/08/2019	The Iken case management system is being upgraded and the upgrade will include a GDPR toolkit which will help this process. Upgrade has been delayed until November 2019.	The Collaboration have agreed to purchase an upgrade to Iken and this will include a GDPR tool which aims to move towards Iken being GDPR compliant.	
Legal Case Management System	2230	To document the objectives and purposes for the use of the Iken	M	31/01/2019	29/11/2019	05/08/2019	Collaboration have purchased an upgrade to the Iken system, the implementation of which		

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
2017/18		System. These objectives should be incorporated into the new procedure notes. Periodically review progress against these objectives.					had been delayed until early November. The project manager is working with the collaboration with a view to reinforcing the principles and objectives of the Iken system.		
<b>Housing &amp; Assets</b>									
SARTH 2017/18 Page 269	1995	Controls relating to SLA adherence require enhancement. Investigate system developments through the utilisation of new system codes to assist with the automation of cancellations due to non-receipt of evidence. KPIs to be set to measure adherence to process.	L	29/06/2018	28/12/2019	10/05/2019	The majority of the issues identified with the CRM Integration works have now been resolved and seem to be working well. The service is noticing a partial reduction in processing time and as such more focus is now being applied to ensuring other tasks are completed within the SLA guidelines. This will be closely monitored by the Housing Access and SARTH Team Leader.  The solution implemented still requires further work	Integration work was delayed and went partially live in early February 2019. There are faults with the implementation and these have been reported to ICT and are being worked through with Capita. The solution implemented still requires further work and therefore released the expected capacity to undertake other duties.  Without additional resource it is not possible to fully adhere to SLA timescales and maintain this performance level until	Low risk (green)

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 270							and a meeting has been scheduled to scope these works with Capita. As the solution does not yet meet all the initial requirements it has therefore not fully released the expected capacity to undertake all the other duties. Whilst there will be an improvement in performance against SLA it is not possible to guarantee full adherence to all SLA timescales and maintain this performance level until all the integration work is complete.	the integration work is completed and working correctly.	
	DFG 2016/17	2024	The current Private Sector Housing Renewal and Improvement Policy is out of date and was due for review by 30 June 2015. The policy also does not align to current practices in operation within the service. An example of this is	M	30/06/2018	31/10/2019	22/05/2019	Due to all DFG activities having to be approved by the DFG oversight board, this action date has been extended to facilitate review of all documentation by the board members.  The revised policy has been drafted and will be tabled at Informal Cabinet on Tuesday 30th April 2019. This	The Policy will be drafted once the service has been realigned and will reflect the recommendations from the WG consultation on Housing Adaptations Service Standards. Due to the timetable of Overview and Scrutiny committees, the next Cabinet meeting to receive this policy will be

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 271		the condition of the DFG Relocation Grant where the property must be occupied by the applicant as their main residence for a period of 5 years. Currently there is no process to facilitate the measurement or assessment of this condition.					will then be followed by consultation with Community and Enterprise and Health and Social Care Scrutiny committees at the appropriate stage in the scrutiny cycle. The final stage will be to take the policy to Formal Cabinet for adoption and ratification - date not yet known as this will be dependent on the agenda availability of the scrutiny committees. - Action can be set to complete	22 October.	
<b>People &amp; Resources</b>									
Payroll 2017/18	2218	Data Protection and GDPR Compliance  A process to remove leaver information from i-Trent in line with the Retention Policies and GDPR has not been implemented. Management have not been able to provide a detailed		30/09/2018	31/01/2020	18/04/2019	The functionality still requires testing, further issues/defects may be found during testing and would need reporting to MHR for their investigation. I have requested 30.04.18 to take into account that possibility.	Conflicting priorities within the team continue to prevent the required further testing of the MHR GDPR software being fully undertaken. Pauline (Connolly) has identified a potential defect and has raised the issue with MHR.	Due to the departure of the Payroll & Systems Team Leader, significant resources have been allocated to working with him prior to his leaving in order to gain an understanding (through knowledge sharing) of the tasks he completed, in preparation for undertaking those duties, particularly those

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 272		plan of what activities have been completed to assist with demonstrating adherence to Data Protection requirements. The consequence to the Council of non-compliance will be greater with the introduction of GDPR in May as the Council may be subject to fines.							relating to Pension matters. This taken and will continue to take-up a considerable proportion of my and the Systems & Data team's time in the short-term, until and beyond a Pensions Officer and a new Payroll & Systems Team Leader having been appointed in post.  I have requested a relatively long extension of the completion date in order to reflect the anticipated further delay in FCC testing the functionality but also to make allowances for possible further defects that may be found during testing that may result in a further delay whilst MHR rectify.
<b>Planning and Environment</b>									
Section 106 15/016	313	Update of SPG 13 Open Space Requirements	M	31/07/2016	30/09/2019	13/03/2019	The revised SPG has not been completed whilst work on the production of the LDP is prioritised.		



Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Section 106 Follow Up 2017/18	2232	<p>The Section 106 working group was tasked with considering;</p> <p>‘Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database)’.</p> <p>The potential for use of the DEF system to manage s106 balances was considered and subsequently discounted. A piece of work was subsequently undertaken to look at other systems</p>	M	31/10/2018	31/10/2019	13/03/2019		Business case for the new back office has been developed and procurement is underway with a view to implementing in September 2020.	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 274		<p>which could be used for the management of s106 balances (together with the management and enforcement of all legal agreements across the portfolio).</p> <p>A capital bid was submitted for new software in December 2017 but was not successful.</p> <p>In the absence of a central system for the management of s106 balances, suites of spreadsheets are maintained by services impacted by s106 across the Council. Whilst the primary spreadsheet is maintained by Finance, s106 spreadsheets are also maintained by Planning Enforcement and Education (as the data they require differs from the data</p>							

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 275		maintained by Finance).  Whilst the use of spreadsheets within each service ensures appropriate management of s106 balances there is clearly duplication of effort and scope for the achievement of further efficiencies through the streamlining of processes.							
<b>Social Services</b>									
Safeguarding Adults at Risk 17/18:	2366	Strategy Meeting timescales in the safeguarding case file audit template will be reviewed for appropriateness. Continue to review and monitor outcomes against the timescales defined within the safeguarding case file audit process.	L	31/12/2018	01/12/2019	14/05/2019	The initial date was included following the closing meeting, but was changed prior to the final report being issued, recognising that the Christmas closedown would impact on the ability to implement this action within the initial timescale.	This action is still not able to be progressed for a number of reasons. An internal file audit is due within the next month which will give data regarding average timescales for strategy meetings to be held. However, we are currently awaiting the final version of the new All Wales Adult and Children's Safeguarding	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 276								procedures which will bring some clarity to timescales for strategy meetings in adult safeguarding. The procedures are giving consideration to 'virtual strategy meetings' rather than face to face meetings. Timescales for strategy meetings are still not a KPI which is measured. I am satisfied that timescales are met where possible given limitation of resource and increase in referrals.	
Safeguarding Adults at Risk 17/18:	2369	Clearance of backlog of AP reviews which remain outstanding more than six weeks after the Strategy meeting date. Further development of file review and close down processes to ensure they are more streamlined and efficient.	M	31/12/2018	30/09/2019	01/07/2019	The initial date was included following the closing meeting, but was changed prior to the final report being issued, recognising that the Christmas closedown would impact on the ability to implement this action within the initial timescale.	Backlog of reviews has been cleared. Minutes template has been amended to ensure actions from strategy meetings are measurable and chair is clear about which actions are to be reviewed.  Lead practitioner us identified to follow up the actions 6-8 weeks after a review. This now the	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 277		Following the development of review process it will be ensured that AP reviews are picked up within the case file auditing tool to develop consistency.  Development of internal performance indicators to allow ongoing monitoring of the timeliness of AP reviews against the six week internal timescale.						person who undertook the s126 enquiries initially.  Next steps are amending the file audit tool to include reviews and making changes PARIS to improve the review document.	
	<b>External</b>								
CPF Investment 2016/17	1943	An Operational Plan will be devised to assign roles and responsibilities for the core functions within the Clwyd Pension Fund team. This will assist with the identification of single points of failure within the team. Individuals to	M	31/12/2017	31/03/2019	01/04/2019	Work is continuing with HR for a revised structure to the section which will accommodate the ongoing needs of the section.  The 2018/19 Business Plan includes a structure review of the Finance Team. Work is still ongoing with HR to finalise the structure and carry	Work is continuing with HR for a revised structure to the section which will accommodate the ongoing needs of the section.  New accountant appointed start date 1st April 2019 Investment trainee post advertised interviews to be held mid-April.	The risks are being managed by outsourcing essential work to third parties.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Page 278		be trained outside of their core role in order to facilitate the delivery of service in the event of long term absence or attrition. Succession planning will also be considered given the relative age of individuals completing these functions relative to retirement age.					out recruitment. This should be substantially complete in Q1 2018 but full completion may take to Q3 2018.		

## Investigation Update

## Appendix I

Ref	Date Referred	Investigation Details
<b>1. New Referrals</b>		
1.1	25/05/2019	An allegation has been received concerning the governance arrangement of the Governance Body at a School.
1.2	25/05/2019	A referral was received concerning the job evaluation of a position.
1.3	25/05/2019	Internal Audit has been asked to look into a license agreement.
1.4	25/05/2019	Planning Application
1.5	01/08/2019	A referral has been received concerning the accuracy of an individual's employment records
<b>2. Reported to Previous Committees and still being Investigated</b>		
2.1	03/01/2019	A whistleblow was received concerning a Council contract. The investigation is ongoing.
2.2	16/10/2018	A complaint was received concerning the awarding of contracts where there is a potential conflict of interest of a member of staff with a contractor. The investigation is ongoing.
2.3	20/08/2018	An allegation was received concerning the awarding of work to a company being run by a former employee of the Authority. The investigation is ongoing.
<b>3. Investigation Completed</b>		
	Nil to Report	

# Internal Audit Performance Indicators

## Appendix J

Performance Measure	Qtr 1 19/20 (as at 24/5)	Qtr 2 19/20 (as at 19/8)	Target	RAG Rating	
Audits completed within planned time	80%	89%	80%	G	↑
Average number of days from end of fieldwork to debrief meeting	10	6	20	G	↑
Average number of days from debrief meeting to the issue of draft report	4	18	5	R	↓
Days for departments to return draft reports	6	0	7	G	↑
Average number of days from response to issue of final report	3	1	2	G	↑
Average number of days from end of fieldwork to issue of final report	22	33	34	G	↓
Productive audit days	78%	67%	75%	A	↓
Client questionnaires responses as satisfied *	100%	100%	95%	G	→
Return of Client Satisfaction Questionnaires #	40%	0%	80%	R	↓

### Footnote:

*	Satisfaction of client questionnaires returned relating to previous periods.
#	Zero questionnaires received relating to quarter 2 work due to the timing of final reports being issued. The method for calculating this PI currently does not take into account questionnaires returned from previous periods. The method of calculating this PI will need to be reviewed.

### Key

R	Target Not Achieved	A	Within 20% of Target	G	Target Achieved
↑	Improving Trend	→	No Change	↓	Worsening Trend



## Internal Audit Operational Plan 2018/19 – Carry Forward

## Appendix K

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
<b>Corporate</b>			
Income from Fees and Charges / Efficiency Savings	H	On Hold	On hold pending the completion of the consultancy work – transferred to 19/20 plan
Declaration of Interests	H	Complete	Interim Report Issued
<b>Education &amp; Youth</b>			
School Funds	H	Complete	
<b>Governance</b>			
Cloud Computing	H	In Progress	
Procurement - Contract Monitoring (Joint Working - Denbighshire)	H	Draft report	Management Comment Stage
GDPR	Annual	Draft report	Management Comment Stage
<b>Housing &amp; Assets</b>			
Empty Property (Void) Mgt	M	In Progress	Scope of this has changed to provide a commissioned advisory service to support a lean review.
New Homes - Contract Management	M	Complete	Waiting for management comments
Property Maintenance	M	In Progress	
Technology Forge (TF)	M	Draft Report	Management Comment Stage
Main Accounting - Accounts Receivable, including Corporate Debt Management	Annual	In Progress	
<b>People &amp; Resources</b>			
Main Accounting - Accounts Payable (AP) and P2P	Annual	Draft Report	Management Comment Stage
Main Accounting - Accounts Receivable (AR), include Debt Management	Annual	In Progress	
Appraisals	H	Complete	
Project Apple	New	Complete	
<b>Planning, Environment &amp; Economy</b>			
Disabled Facility Grants (DFGs)	Follow Up	Ongoing	Oversight board
<b>Social Services</b>			
Safeguarding - Children's	M	In Progress	

Audit	Internal Audit Priority Rating	Status of Work	Supporting Narrative
Social Services Financial Processes	Follow Up	Complete	
<b>Streetscene &amp; Transportation</b>			
Fleet Management	M	Draft Report	Management Comment Stage
Highways - Cost Recovery	H	In Progress	
Regional Transport	M	In Progress	
Alltami Stores	Follow Up	Complete	

## Internal Audit Operational Plan 2019/20

## Appendix L

Audit	Priority	Status of Work	Supporting Narrative
<b>Corporate</b>			
Business Planning, Risk & Performance Management	H	In Progress	To include Impact Assessments
Voluntary Sector Grants - Revised Funding Arrangements	H	In Progress	
Integrated Impact Assessments	M	Combine	Combine with Business Planning, Risk & Performance Management Audit
Business Continuity	M	Not Started	Quarter 4
Use of Consultants	Annual	Not Started	Quarter 3
<b>Education &amp; Youth</b>			
Schools Admissions, Allocation, Unfilled Places, Change in Demographics	H	In Progress	
Schools Budgeted Licenced Deficit	H	In Progress	
Early Entitlement	M	Not Started	Quarter 3
Risk Based Thematic Reviews, including CRSA	Annual	Not Started	Change of approach to full school audits
Education Grant – Education Improvement Grant (EIG)	Annual	No Longer Required	As confirmed by GwE
Education Grant – Professional Development Grant (PDG)	Annual	Complete	
Education Grant – School Uniform Grant	Annual	In Progress	
<b>Governance</b>			
Procurement Hardware and Software	H	Not Started	Quarter 3
Community Benefits (Social Value)	H	Not Started	Quarter 4
Enforcement Agents	M	Not Started	Quarter 4
Digital Strategy	Advisory	On going	
PCIDSS Compliance - Follow Up	Follow Up	Not Started	Quarter 4
Data Protection (GDPR) Compliance	Annual	Not Started	Quarter 4
Council Tax and NNDR (incl. grant)	Annual	Not Started	Quarter 3
<b>Housing &amp; Assets</b>			
Housing Rent & Arrears - (and impact of UIC)	H	Not Started	Quarter 4
Land - Ownership, Surplus to Requirements & Disposal	H	In Progress	
Right to Buy (buyback) / Home Loans	M	Not Started	Quarter 4

Audit	Priority	Status of Work	Supporting Narrative
Housing Benefits (including Subsidy Grant)	Annual	Not Started	Quarter 3
Care and Repair SLA	New	In Progress	
Framework Value for Money	New	Not Started	Quarter 4
Supporting People (grant)	Grant	Completed	
Support People (grant claim assurance)	Grant	In Progress	
Voids – Lean Process	New	In Progress	Commissioned work
SARTH	Follow Up	Not Started	Quarter 4
<b>People &amp; Resources</b>			
Corporate Grants	H	In Progress	
Capital Programme	H	In Progress	
Write Offs	M	Not Started	Quarter 4
Financial Management Accounting within Portfolios	M	In Progress	
Main Accounting - Accounts Payable (AP) and P2P	Annual	Not Started	Quarter 3
Main Accounting - Accounts Receivable (AR), including Corporate Debt Mgt	Annual	Not Started	Quarter 3
Main Accounting - General Ledger (GL)	Annual	Not Started	Quarter 3
Method Statements	Advisory	Ongoing	
Budget Planning Challenge	Advisory	In Progress	
Corporate Credit Cards	New	Draft Report	
Notification of Leaver to Clwyd Pension Fund	H	Not Started	Quarter 3
Pay Deal 19/20	H	In Progress	
Project Apple	H	Not Started	Quarter 4
Organisational Ethics and Values	M	Not Started	Quarter 4
Payroll	Annual	Not Started	Quarter 3
<b>Planning, Environment &amp; Economy</b>			
Communities4work (grant) & C4W Plus Grant	H	In Progress	
Flood Alleviation Scheme	H	Not Started	Quarter 3
Pest Control	H	Not Started	Quarter 3
Climate Change / Carbon Reduction	M	Not Started	Quarter 4
Home Improvement Loans	M	In Progress	

Audit	Priority	Status of Work	Supporting Narrative
<b>Social Services</b>			
Flying Start - WG Funding	H	In Progress	
Foster Care (Payments to Carers)	H	Not Started	Quarter 4
Sessional work	H	Not Started	Quarter 4
Collaborative Work / Partnerships	M	Not Started	Quarter 3
Client Finance, (Deputyship) Receivership & including Community Living	M	Not Started	Quarter 4
<b>Streetscene &amp; Transportation</b>			
Highways - Condition of infrastructure	H	Not Started	Quarter 2
Concessionary Travel including Bus Services Support (grant)	H	Not Started	Quarter 2
Parc Adfer	H	Not Started	Quarter 4
School Bus Passes	H	In Progress	
MO Licence	M	Not Started	Quarter 4
Community Transport	M	Not Started	Quarter 4
Garden Waste Charges Analysis	New	Complete	
Waste Management Service	M	Not Started	Quarter 3
<b>External</b>			
North Wales Residual Waste Project - Contract Management	H	Defer to 20/21	Defer to Qtr1 2020/21 due to delay in commission
Pensions Administration & Contributions	H	Not Started	Quarter 3
SLA - Aura - 20 days	Annual	Not Started	Quarter 3
SLA - NEWydd - 10 days	Annual	Not Started	Quarter 3
<b>Advisory / Project Groups</b>			
New Flare System Development Group	Ongoing	Not Started	
Corporate Governance Working Group	Ongoing	Ongoing	
Accounts Governance Group	Ongoing	Ongoing	
Financial Procedures Rules	Ongoing	Not Started	
E Procurement Working Group	Ongoing	Ongoing	
Programme Coordinating Group	Ongoing	Ongoing	
Corporate Health & Safety Group	Ongoing	Ongoing	

Audit	Priority	Status of Work	Supporting Narrative
Corporate Data Protection Group	Ongoing	Ongoing	
County Hall Campus Working Group	Ongoing	Not Started	
North Wales Residual Waste Project	Ongoing	Ongoing	
Financial System	Ongoing	Not Started	

Glossary	
<b>Risk Based Audits</b>	Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.
<b>Annual (System Based) Audits</b>	Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
<b>Advice &amp; Consultancy</b>	Participation in various projects and developments in order to ensure that controls are in place.
<b>VFM (Value For Money)</b>	Audits examining the efficiency, effectiveness and economy of the area under review.
<b>Follow Up</b>	Audits to follow up actions from previous reviews.
<b>New to Plan</b>	Audits added to the plan at the request of management. <b>All new audits to the plan are highlighted in red.</b>
<b>Audits to be Deferred</b>	Medium priority audits deferred. <b>These audits are highlighted in green within the plan.</b>



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 11 September 2019
<b>Report Subject</b>	Appointment of a Lay Member to the Audit Committee
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

At its Annual Meeting Council decided to appoint an extra lay member to the Audit Committee. There were four applicants and following interview it is recommended that Allan Rainford be appointed.

### RECOMMENDATIONS

1	That the Committee recommends to Full Council that Allan Rainford be appointed to the Audit Committee until the end of December 2023.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE RECRUITMENT PROCESS</b>
1.01	At the Annual Meeting in May, Council decided to appoint, on the recommendation of the Committee itself, a second lay member to the Audit Committee. Adverts were accordingly placed in the local press and on line.
1.02	Four applications were received. Despite publishing the interview date in the application pack, one candidate was not available on the day of interview. The interview proceeded with the three available candidates.
1.03	As per the decision at the Annual Meeting, the Interview Panel consisted of the Chair of Council, the Cabinet Member for Finance, the Chair of the Audit Committee and two members of the Audit Committee (Cllrs Paul Johnson and Arnold Woolley). The Chief Officer Governance was also in attendance to support and advise.

1.04	Whilst all applicants were of a high quality, one applicant stood out by reason of his experience and interpersonal skills. The interview panel was unanimous in recommending his appointment. A pen portrait is attached at Appendix 1.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The cost of placing the advert in the local press (as required by the legislation) was £5,167.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The application pack specified the essential characteristics required for the position of Lay Member. Each applicant's suitability was assessed using both the application form and a mix of pre-set interview questions (which were drafted to bring out each requirement) and follow up questions.
4.02	The advert and application pack were published bilingually and applicants were asked whether they wished to be interviewed in Welsh.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Pen Portrait of Allan Rainford

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Application Pack and advert.</p> <p><b>Contact Officer:</b> Gareth Owens  <b>Telephone:</b> 01352 702344  <b>E-mail:</b> Gareth.legal@flintshire.gov.uk</p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Lay Member</b> - a member of the Audit Committee selected following an open recruitment process, and appointed by reason of his/her skills and experience.



### **Pen Portrait Allan Rainford**

Allan is a member of CIPFA and has post graduate qualifications in management. He is currently the (Part Time) Treasurer of Cheshire Fire Authority. He has worked in local government for over 30 years and has held senior financial leadership roles in a number of local authorities, including Cheshire County Council and Sheffield City Council. Allan also spent a period in South Africa where he advised the City of Cape Town on implementing financial management and governance reforms.

Allan has many years' experience of supporting Audit Committees and of developing the effectiveness of the assurance and advisory role. He has had a particular emphasis on improving Members' understanding of matters relating to financial statements, treasury management and wider financial governance issues.

Having been committed to public services for most of his career, Allan wants to put something back into the community following retirement from full time employment in 2017.

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## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 11 <sup>th</sup> September 2019
<b>Report Subject</b>	Audit Committee Annual Report
<b>Report Author</b>	Chair of the Audit Committee
<b>Type of Report</b>	Assurance

### EXECUTIVE SUMMARY

In accordance with CIPFA's best practice 'Audit Committees – a Practical Guidance for Local Authorities 2018', there is a requirement for the Audit Committee to be held to account by the Council for the work they undertake. To support this the Audit Committee's terms of reference were amended in 2018 to include a requirement for the Committee to prepare a yearly report to the Council on its achievements and demonstrate its accountability.

The Audit Committee's Annual Report for 2018/19 (Appendix A) provides the Council with the necessary information to meet this requirement.

### RECOMMENDATIONS

1	The Committee considers and endorses the annual report for 2018/19 prior to its submission to Council for approval on 22 October 2019.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT</b>
1.01	<p>In accordance with CIPFA's best practice 'Audit Committees – a Practical Guidance for Local Authorities 2018', the Audit Committee has an important role within the Council's governance structure and in promoting the principles of good governance.</p> <p>An equally significant part of this role is for the Audit Committee to demonstrate its accountability. Accountability should be considered under three aspects:</p> <ol style="list-style-type: none"> <li>1) Supporting the Council's accountability to the public and stakeholders;</li> <li>2) Supporting accountability within the Council; and</li> </ol>

	<p>3) Holding the Audit Committee to account.</p> <p>The Audit Committee Terms of Reference was updated in November 2018 to reflect this best practice and the need for an annual report.</p>
1.02	<p>The Audit Committee's Annual Report (Appendix A) is designed to provide assurance to the Council in holding the Committee to account. In particular:</p> <p><b>1) Supporting the Council's accountability to the public and stakeholders</b></p> <ul style="list-style-type: none"> <li>– Each Audit Committee meeting is held in the public domain with all Committee papers available on the Council's website.</li> </ul> <p><b>2) Supporting accountability within the Council; and</b></p> <ul style="list-style-type: none"> <li>– Through the review of those reports received by Audit Committee, the Committee holds to account those responsible for the implementation of recommendations and action plans. In addition to this, the Committee oversees the process for evaluating and improving governance, risk, financial management and control.</li> </ul> <p><b>3) Holding the Audit Committee to account</b></p> <ul style="list-style-type: none"> <li>– The Committee has fulfilled its agreed Terms of Reference and adopted the recommended best practice;</li> <li>– Members of the Audit Committee have assessed their own development needs and taken the opportunity to attend briefing and training sessions;</li> <li>– The Committee has assessed its own effectiveness, developed an action plan and monitors progress; and</li> <li>– The Committee demonstrates they have a positive impact on the improvement of governance, risk, financial management and control within the Council.</li> </ul>
1.03	<p>The annual report provides the Council with an overview of the:</p> <ul style="list-style-type: none"> <li>• Work undertaken by the Committee and its effectiveness against the main areas of the Committees' Terms of Reference;</li> <li>• Internal Audit opinion for 2018/19;</li> <li>• Committees membership and attendance;</li> <li>• Self-Assessment, Training and Development; and</li> <li>• Future Priorities.</li> </ul>
1.04	<p>Once the Committee has endorsed this report, the Annual Report will be presented to Council for consideration and approval at the 22 October 2019 meeting.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The draft annual report for the Audit Committee has been shared with the Chief Executive, Chief Officer Governance, Democratic Services Manager, Chair of the Audit Committee and Vice-Chair of the Audit Committee.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Audit Committee is integral to promoting an effective risk management framework within the Council.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Audit Committee Annual Report.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager  <b>Telephone:</b> 01352 702231  <b>E-mail:</b> <a href="mailto:Lisa.brownbill@flintshire.gov.uk">Lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Corporate Governance:</b> the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p><b>Risk Management:</b> the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p><b>Internal Control:</b> Appropriate procedures and processes are in place to mitigate any risk which may prevent the organisation from achieving its objectives and service delivery.</p> <p><b>Financial Management:</b> the planning, organising, directing and control of the financial activities of the Council to ensure sufficient resources are available to delivery its intended outcomes.</p>

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## Contents

Section	Title	Page No
1.	Foreword by Cllr Chris Dolphin, Chair of the Audit Committee	1
2.	Introduction	2
3.	Work of the Audit Committee and its Effectiveness	3
4.	Internal Audit Opinion - 2018/19	8
5.	Audit Committee Membership & Attendance	9
6.	Audit Committee Self-Assessment and Training and Development	10
7.	Future Priorities	11
Appendix A	Audit Committee Terms of Reference	12
Appendix B	Actions Raised by the Audit Committee for 2018/19	19
Appendix C	Forward Work Programme for 2019/20	23
Appendix D	Audit Committee Self-Assessment and Action Plan	25

Date	Approved By	Version
11/09/2019	Audit Committee	Draft
	Flintshire County Council	Final



## 1 Foreword by Councillor Chris Dolphin, Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee which outlines the Committees' work and activities for the year ending 31<sup>st</sup> March 2019. As I have only been appointed to this role since June 2019, I would like to express my thanks to the previous Chair, Councillor Helen Brown.

The Audit Committee is a key part in the Council's governance framework to provide an independent oversight on the effectiveness of the Council's governance, risk, financial management, and internal control arrangements.

Throughout the year, the Committee has continued to receive valued professional reports, support and advice from Accountancy, Treasury Management, Risk Management, Corporate Business and Communications, Internal Audit and External Audit (Wales Audit Office). Additionally, we have invited Chief Officers and Service Managers to attend Audit Committee to respond to concerns raised by members or through various reports, such as those presented by Internal and External Audit.

At each meeting we have reviewed our Forward Work Programme ensuring the work mirrors the level of risks and priorities of the Council. Any actions raised during previous Committee meetings are reviewed for completeness.

In September 2018, the Committee held a workshop to undertake a self-assessment of its effectiveness and through this workshop developed an action plan which is monitored. This workshop highlighted the need for awareness training on major topics. Since the workshop, half hour training sessions are provided on the key subjects at the meeting prior to when the paper is due to be received. This has proved effective and this practice will continue in the future.

I would like to thank members and officers who have supported the work of this Committee by presenting, discussing, challenging, and debating solutions to the governance, risk, financial, and control environment of the Council. The Committee has been well attended throughout the year and where apologies have been given a trained substitute member has attended on the members' behalf.

Finally, I would like to confirm that there are no areas of concern for the Committee to note or report back on which is reassuring for the Council.



Cllr Chris Dolphin  
Chair of Audit Committee

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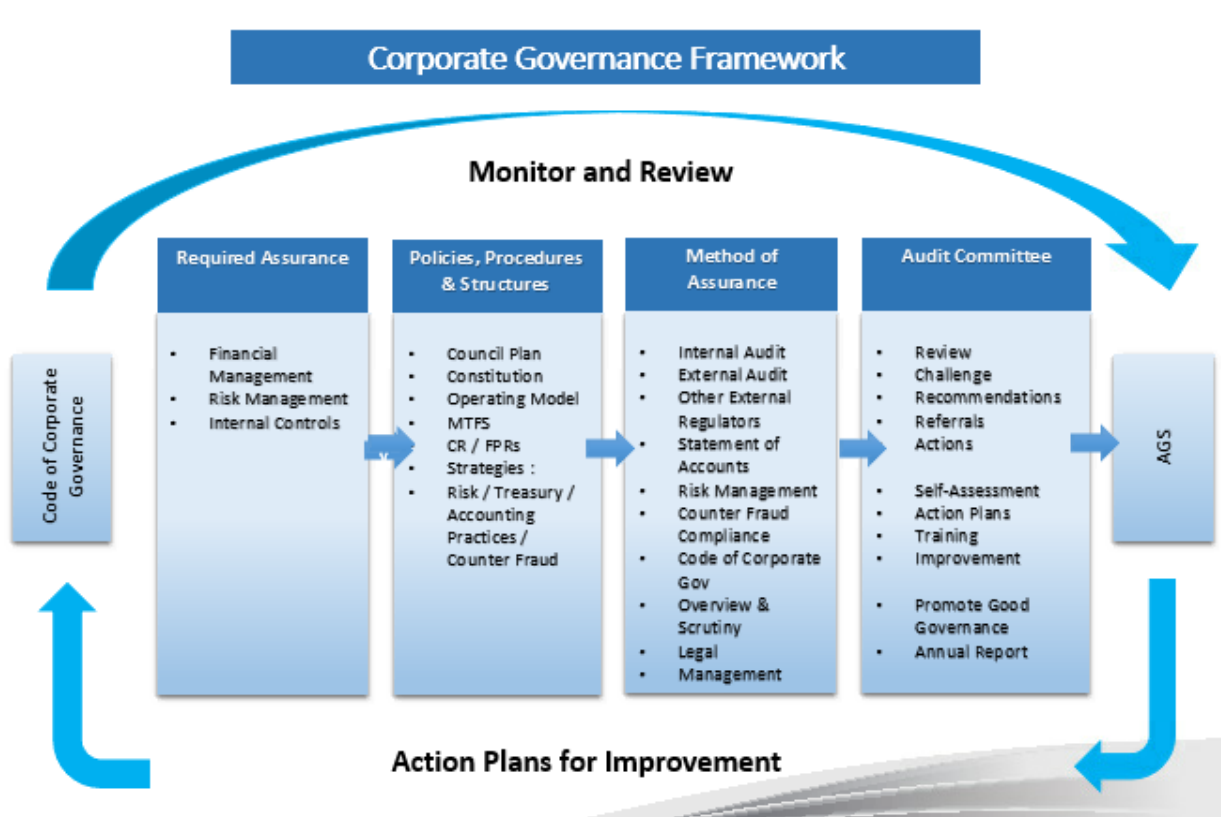
## 2 Introduction

- 2.1 The Audit Committee is a key part in the Council's Governance Framework. It provides independent governance assurance over the adequacy of the Council's governance and risk management frameworks, the internal control environment, and the integrity of the financial reporting. By overseeing internal and external audit and other regulators, the Committee makes an important contribution by ensuring effective assurance arrangements are in place.
- 2.2 How the Audit Committee fulfils this role is detailed within the Committee Terms of Reference (December 2018). It states that the Audit Committee's role and functions will be to:
- A** Review the effectiveness of the Authority's systems of corporate governance, internal control and risk management, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
  - B** Oversee the reporting of the statutory financial statements to ensure the balance, transparency and integrity of published financial information, as well as the review of the financial statements prepared by the authority and recommendation to County Council; and  
  
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.
  - C** Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
  - D** Report to the Council annually, summarising the Committee's activities and recommendations.
- 2.3 The full Terms of Reference for Audit Committee is detailed at Appendix A.
- 2.4 In supporting the Audit Committee deliver its terms of reference, there is a strong contribution from the independent member, the external advisors and regulators and the Internal Audit Team.

### 3 Work of the Audit Committee and its Effectiveness

- 3.1 The Committee has worked within its Terms of Reference, which includes the requirement to monitor and review governance, risk management, financial management and internal controls within the Council to ensure there is an appropriate and effective framework in place. This process is demonstrated in Graphic 1 below.
- 3.2 The Audit Committee provides the Council with an independent opinion of the effectiveness of the Governance arrangements within the Council including those of the internal and external audit function.

**Graphic 1 – Corporate Governance Framework**



- 3.3 As referred to 2.2, the Audit Committee's Terms of Reference is split into four main areas referenced A-D. Within tables 1-4 below the Audit Committee demonstrates how it has met and fulfilled its Terms of Reference by receiving, reviewing, challenging and approving the following reports.

**Table 1 – Terms of Reference A**

<b>TOR A : To review the effectiveness of the Authority's systems of corporate governance, internal control and risk management</b>		
<b>Committee Date</b>	<b>Report Received</b>	<b>Committees Resolution</b>
06/06/2018	Annual Governance Statement (AGS) – 2017/18	The AGS to be attached to the Statement of Accounts.
06/06/2018	Internal Audit Annual Report	The report and Internal Audit Annual opinion be noted.
06/06/2018	Internal Audit Progress Report	Report be accepted and in relation to work on Disabled Facilities Grant, appreciates the work of the professional oversight board.
06/06/2018	Planning Enforcement Follow Up	The progress made in implementing the actions from the original report be noted.
12/09/2018	Annual Review of Strategic Risks	Note the status of the 2017/18 end of year summary; and Endorsing the successful management of risks, where these are in control of the Council.
21/11/2018	Annual Improvement Report (AIR) of the Auditor general for Wales	Assured by the Auditor General for Wales' Annual Improvement Report for 2017/18.
21/11/2018	Asset Disposal and Capital Receipts Generated 2017/18	Report is noted.
21/11/2018	Use of Consultants	Committee is assured that expenditure on consultants is being controlled and the Council is achieving value for money.
21/11/2018	Clwyd Pension Fund Governance	Report is noted and feedback provided to the Clwyd Pension Fund Committee.
21/11/2018	Internal Audit Progress Report	Report is noted; and Members are assured that the remedial actions identified on GDPR have and will, if implemented, address the controls weakness identified.
15/02/2019	Risk Management Update	The status of the initial overview of strategic risks of 2018/19 priorities of the Council be noted.
15/02/2019	Annual Review of the Code of Corporate Governance	Updated Code of Corporate Governance be endorsed as part of the Council's Constitution.
15/02/2019	Internal Audit Progress Report	The reported be accepted.
15/02/2019	Corporate Anti-Fraud & Corruption Strategy and Fraud & Irregularity Response Plan	<ul style="list-style-type: none"> <li>• Subject to amendments, the updated Corporate Anti-Fraud &amp; Corruption Strategy be agreed; and</li> <li>• The updated Fraud and Irregularity Response Plan be agreed.</li> </ul>
15/02/2019	Whistleblowing Policy	The updated Whistleblowing Policy be approved.
27/03/2019	External Regulation Assurance	The Committee notes how reports by external auditors, other regulators and inspectors have been dealt with during 2017/18.
27/03/2019	Internal Audit Progress Report	The report be accepted.

**Table 2 – Terms of Reference B**

<b>TOR B : To Oversee the reporting of the statutory financial statement's process and review and scrutinise the County Council's financial affairs</b>		
<b>Committee Date</b>	<b>Report Received</b>	<b>Committees Resolution</b>
06/06/2018	Clwyd Pension Fund Statement of Accounts	That the CPF Final Statement of Accounts is considered by the Audit Committee and approved by the CPF Committee.
11/07/2018	Draft Statement of Accounts 2017/18	<ul style="list-style-type: none"> <li>The Draft Statement of Accounts be noted; and</li> <li>Members note the ability to discuss any aspect of the Accounts with officers.</li> </ul>
11/07/2018	Supplementary Financial Information to Draft Statement of Accounts 2017/18	Report is noted.
11/07/2018	Draft Clwyd Pension Fund Statement of Accounts 2017/18	Report is noted.
11/07/2018	Treasury Management Annual Report 2017/18	Draft Treasury Management report is noted with no matters to be drawn to the attention of Cabinet on 17 July 2018.
11/07/2018	Treasury Management Quarter 1 Update 2018/19	Report is noted.
12/09/2018	Statement of Accounts 2017/18, including WAO ISA presentation	<ul style="list-style-type: none"> <li>Final version of the Statement of Accounts 2017/18 be recommended for approval by County Council; and</li> <li>The WAO ISA presentation be noted.</li> </ul>
12/09/2018	School Reserves Balances Year End 31 March 2018	Report is noted.
21/11/2018	Asset Disposal and Capital Receipts Generated 2017/18	Report is noted.
21/11/2018	Treasury Management Mid-Year Review and Quarter 2 Update 2018/19	The Draft Treasury Management Mid-Year Report 2018/19 be recommended to Cabinet on 18 December 2018.
21/11/2018	Use of Consultants	Committee is assured that expenditure on consultants is being controlled and the Council is achieving value for money.
15/02/2019	Treasury Management Strategy 19/20, Treasury Management Policy Statement, Practices and Schedules 2019/20-2021/22 and Treasury Management Quarter 3 Update 2018/19	<ul style="list-style-type: none"> <li>After reviewing all three documents the Committee has now specific issues to be reported to Cabinet on 19 February 2019; and</li> <li>The Treasury Management Quarterly update report be noted.</li> </ul>
15/02/2019	Wales Audit Office (WAO) – Annual Audit Letter 2017/18	The Wales Audit Officer Annual Audit Letter 2017/18 be noted.
27/03/2019	Treasury Management Quarterly Update 2018/19	The Treasury Management Quarterly update report be noted.
27/03/2019	Certification of Grants and Returns 2017/18	The content of the Grant Claim Certification report 2017/18 be noted.

**Table 3 – Terms of Reference C**

<b>TOR C : To monitor the performance and effectiveness of the internal and external audit functions</b>		
<b>Committee Date</b>	<b>Report Received</b>	<b>Committees Resolution</b>
06/06/2018	Internal Audit Annual Report	The report and Internal Audit Annual opinion be noted.
06/06/2018	Internal Audit Progress Report	Report be accepted and in relation to work on Disabled Facilities Grant, appreciates the work of the professional oversight board.
12/09/2018	Statement of Accounts 2017/18, including WAO ISA presentation	<ul style="list-style-type: none"> <li>• Final version of the Statement of Accounts 2017/18 be recommended for approval by County Council; and</li> <li>• The WAO ISA presentation be noted.</li> </ul>
21/11/2018	Annual Improvement Report (AIR) of the Auditor general for Wales	Assured by the Auditor General for Wales' Annual Improvement Report for 2017/18.
21/11/2018	Internal Audit Progress Report	<ul style="list-style-type: none"> <li>• Report is noted; and</li> <li>• Members are assured that the remedial actions identified on GDPR have and will, if implemented, address the controls weakness identified.</li> </ul>
15/02/2019	Wales Audit Office (WAO) – Annual Audit Letter 2017/18	The Wales Audit Officer Annual Audit Letter 2017/18 be noted.
15/02/2019	Internal Audit Progress Report	The reported be accepted.
27/03/2019	Wales Audit Office (WAO) Audit Plan 2019/20	The Wales Audit Office report be noted.
27/03/2019	Certification of Grants and Returns 2017/18	The content of the Grant Claim Certification report 2017/18 be noted.
27/03/2019	External Regulation Assurance	The Committee notes how reports by external auditors, other regulators and inspectors have been dealt with during 2017/18.
27/03/2019	Internal Audit Strategic Audit Plan 2019-2022	The Flintshire Internal Audit Strategic Plan 2019-2022 be approved.
27/03/2019	Public Sector Internal Audit Standard Compliance 2018/19	The report be noted.
27/03/2019	Internal Audit Progress Report	The report be accepted.

**Table 4 – Terms of Reference D**

<b>TOR D : To report to the Council annually, summarising the Committee's activities and Recommendations (<i>demonstrating the Committees' effectiveness</i>)</b>		
<b>Date of Committee</b>	<b>Report Received</b>	<b>Committees Resolution</b>
Part D of the Terms of Reference is new to 2018/19. The first Audit Committee Annual Report will be presented to Committee for consideration in September ahead of Council in October 2019.		
21/11/2018	Audit Committee Self- Assessment	Notes the results and progress on actions
21/11/2018	Audit Committee Terms of Reference and Charter	<ul style="list-style-type: none"> <li>• That changes to the Terms of Reference be approved; and</li> <li>• The Audit Committee Charter be approved.</li> </ul>
27/03/2019	Composition of Audit Committee	The Committee wishes to recommend to Council, via the Council's Annual Meeting, that the number of councillors on the Audit Committee be retained and the membership rotated to allow all political groups to participate. Also that an additional lay member be recruited.

- 3.4 Any actions raised by Audit Committee after reviewing and considering these reports are detailed at Appendix B.
- 3.5 The Committee's Forward Work programme for 2019/20 is detailed at Appendix C.



## 4 Internal Audit Opinion

- 4.1 The Internal Audit Service to Flintshire County Council is required to provide the Council (through the Audit Committee) with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving that opinion it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The assurance opinion is based on the matters which were identified during the work of Internal Audit and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
- 4.2 The Audit Committee has been given assurance that there has been no limitations made on the scope of Internal Audit coverage during the year.
- 4.3 In June 2018, the Internal Audit Manager presented the Annual Internal Audit Report for the year 2018/19 to Audit Committee which includes the following assurance opinion.

**For the year ending 31 March 2019, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and internal control.**

- 4.4 Two audits were given a 'Red / Limited' assurance level during the year (2017/18, three audits, 2016/17 four audits & 2015/16 six audits), where an urgent system revision was required. These audits were spread across portfolios indicating that weaknesses are not concentrated in any one area. Whilst these audits indicated areas where controls needed to be improved, they are not significant in the context of the Authority's whole control environment.
- 4.5 To ensure the risks associated with these reviews are monitored, they have been identified for inclusion within the forward work programme of the relevant Overview and Scrutiny Committee as part of the work of the Chair and Vice Chairs Joint Committee role.
- 4.6 Overall 75% of assurance opinions issued were either Green or Amber Green providing the Committee with assurance in the main there are effective arrangements in place for governance, risk management, financial management and internal Control.
- 4.7 In order for the Internal Audit team to be in position to undertake such work and deliver this audit opinion, it has an unfettered high profile role within the Council, who has developed and holds an excellent trusted working relationship with portfolios. The breadth of the work has grown in recent years seeing a significant increase in requests for advisory, consultancy and commissioned work.



## 5 Audit Committee Membership and Attendance

- 5.1 The Council has determined that the membership of its Audit Committee will consist of seven elected Members and one Independent Lay Member (as required by the Local Governance (Wales) Measure 2011). The Independent Lay member is appointed for a period of four years and Council Members are reappointed annually.
- 5.2 The Committee is serviced by Council Officers, principally the Chief Executive, the Chief Officer, Governance (Council's Monitoring Officer), the Corporate Finance Manager (Section 151 Officer) and the Internal Audit Manager. Representatives from Corporate Finance, Corporate Business and Communications, and Wales Audit Office also attend Audit Committee.
- 5.3 The Audit Committee met on six separate occasions during 2018/19. For each meeting, the Committee were quorate and there were sufficient Elected Members to generate an informed discussion on the matters raised. The increase in attendance rate demonstrates the commitment to the Audit Committee is increasing.

**Table 5 – Audit Committee Meeting 2018/19**

Present	06/06/18	11/07/18	12/09/18	21/11/18	15/02/19	27/03/19	Total Meetings Attended
Cllr H Brown (Chair)	Yes	Yes	Yes	Yes	Yes	Yes	6
S Ellis (Independent Member & Vice-Chair)	Yes	Yes	Apology	Yes	Yes	Yes	5
Cllr G Collett	Yes	Yes	Yes	Yes	Yes	Yes	6
Cllr C Dolphin	Yes	Yes	Yes	Yes	Yes	Yes	6
Cllr A Dunbobbin	Yes	Yes	Apology	Yes	Yes	Yes	5
Cllr A Holgate	Yes	Yes	Yes	Yes	Apology	No	4
Cllr P Johnson	Yes	Yes	Yes	Yes	Yes	Yes	6
Cllr A Woolley	Yes	Yes	Yes	Apology	Yes	Yes	5
Cllr J Axworthy	-	-	-	-	-	Yes	1
Cllr M Peers (Substitute)	-	-	-	Yes	Yes	-	2
<b>Total for Committee</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>46</b>
Other Members Present as Observers	4	2	5	2	1	2	
<b>Attendance Ratio for 2018/19</b>				95.8%			
<b>Attendance Ratio for 2017/18</b>				87.5%			

- 5.4 All members of the Committee, including any substitutes have received the required Audit Committee training prior to attending their first Audit Committee meeting. All meetings were held in open sessions and papers available on the Council's website. Officers from the Council's External Auditors, Wales Audit Office (WAO) were present at each of the meetings.

## 6 Self-Assessment, Training & Development

### Audit Committee Self-Assessment

- 6.1 In September 2018, the Audit Committee held a self-assessment workshop where the performance and effectiveness of the Committee was reviewed against the best practice set out by CIPFA.
- 6.2 The workshop was interactive with a positive discussion taking place regarding the delivery of the Committee's core role and function. Following the self-assessment an action plan (Appendix D) was developed and will be used to monitor performance.
- 6.3 During the workshop the Committee's Terms of Reference and Audit Committee Charter were reviewed and brought up to date to mirror the best practice set out by CIPFA. The revised Terms of Reference and Charter were approved by Audit Committee, Constitution and Democratic Services Committee in November 2018 and Council in December 2018.

### Audit Committee Training and Development

- 6.4 During the year members of the Audit Committee attended and received a number of formal training courses and awareness sessions. Table 6 provides details of this.

**Table 6 – Audit Committee Training & Development**

Topic	Date	Type of Training	Coverage
Audit Committee Member Training	16/05/2018	Governance; Risk; Financial; Control; Fraud Awareness; & External Audit	Training provided to new members and future substituting members of the Audit Committee.
Audit Committee Facilitation Workshop	26/09/2018	Governance; Risk Financial; Control; & Fraud Awareness	Half day session reviewing the effectiveness of the Audit Committee, refresher training on the role and responsibilities of the Audit Committee as well as the identification of training needs.
Code of Corporate Governance	21/11/2018	Governance	Presentation and explanation of the Code of Corporate Governance and how this feeds into the Governance framework.
Treasury Management	29/01/2019	Financial	Half day external training session provided on the Council's approach to Treasury Management.
Audit Committee Member Training	04/03/2019	Governance; Risk; Financial; Control; Fraud Awareness; & External Audit	Training provided to a new substituting member of the Audit Committee.
Annual Governance Statement	27/03/2019	Governance	Presentation and explanation of the Annual Governance Statement .
Statement of Accounts	05/06/2019	Accounts	Presentation and explanation of the Statement of Accounts .

## 7 Future Priorities

- 7.1 The Committee's Forward Work Programme (Appendix C) will continue to be reviewed to ensure the contribution to governance, risk management, financial management and internal control is maximised.

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## Audit Committee's Terms of Reference

## Appendix A

### 7.00 Article 7 - Statement of Purpose:

The terms of reference sets out the Audit Committee's position in the governance structure of the Council.

The Audit Committee is a key component of Flintshire County Council's (the Council's) corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

### 7.01 Role:

The Audit Committee's role and functions will be to:

- A.** Review the effectiveness of the Authority's systems of corporate governance, internal control and risk management, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements.
- B.** Oversee the reporting of the statutory financial statement's 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; and

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.

- C.** Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
- D.** Report to the Council annually, summarising the Committee's activities and recommendations.

### **A. Corporate Governance, Risk Management and Internal Control**

- 1. Evaluate whether Senior Accountable Officers and service teams are setting the appropriate "control culture" by communicating the importance of internal control and risk management.
- 2. Consider and assure the annual update of the Code of Corporate Governance against the 'Delivering Good Governance Framework (Wales)'.
- 3. Consider and assure the draft Annual Governance Statement and make appropriate recommendations/observations prior to its submission to the Council's Regulators.

4. Evaluate the overall effective development and operation of the internal control and risk management frameworks and consider whether actions raised by the internal and external auditors have been implemented by Senior Accountable Officers.
5. Review and assure the Risk Management Strategy through regular reports on risk management and business continuity plans, processes and outcomes.
6. Monitor progress in addressing risk related issues reported to the Committee.
7. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
8. Keep under review the Council's Anti-Fraud and Corruption Strategy, Fraud Response Plan and Whistleblowing Policy and the assessment of fraud risks and potential harm to the Council from Fraud and Corruption.
9. Consider the Council's arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
10. Receive reports on all fraud identified and any other special investigations, and action taken.
11. Consider how Senior Accountable Officers are held to account for the security of computer systems and applications to protect against computer fraud or misuse.
12. Ensure the rigorous application of the agreed protocol for the reporting and decision making over business cases for collaborative projects, the management of the transition for approved collaborations, and the subsequent performance management arrangements for the new collaborative services.
13. Obtain regular updates from Senior Accountable Officers and legal advice regarding compliance matters, and be satisfied that all compliance matters have been considered in preparing the financial statements.
14. The Chair and Vice Chair of the Audit Committee together with the Chairs and Vice Chairs of the six Overview and Scrutiny Committees will attend the Chair and Vice Chair Liaison Group with the primary aim to reduce duplication of work, ensure there is a shared coverage of the Council's risk profile and escalate poor performance between respective Committees.

Appendix A of the Audit Charter provides a diagram of the co-ordination of work between the Overview and Scrutiny Committees and Audit Committee.

## **B. Financial:**

### **Statutory Financial Statements**

1. Receive the draft Annual Statement of Accounts, together with the underlying accounting policies for information. Consider and comment on the final

Statement of Accounts following the receipt of the proposed audit opinion from the Wales Audit Office prior to recommending their approval to the Council.

2. Understand the controls and processes implemented by Senior Accountable Officers to ensure the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate review.
3. Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, significant accounting and reporting issues and their impact on financial reports, and the results of the audit.
4. Ensure that significant adjustments, unadjusted differences, disagreements with Senior Accountable Officers and critical accounting policies and practice are discussed with the external auditor.

### **Financial Affairs**

5. Understand the internal control systems implemented by Senior Accountable Officers and service team for the approval of transactions and the recording and processing of financial data.
6. Gain an understanding of the current areas of greatest risk around financial controls and advise and assure on risk management.
7. Keep under review the Council's financial procedure rules, contract procedure rules and all other corporate directions concerning financial control.
8. Review and assure the Treasury Management Strategy and Policy, consider quarterly updates on Treasury Management, and make appropriate recommendations / observations to the Cabinet.

## **C. Internal and External Audit**

1. Keep under review the joint working arrangements of the Council's Internal and External Auditors.

### **Internal Audit**

2. Promote the role of internal audit within the Council, as a key element of its control environment.
3. Review and approve the Internal Audit Charter, outlining the role, scope, independence, authority, responsibility and reporting of the department.
4. Keep under review the organisational structure and resource requirements of the Internal Audit Section and consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Internal Audit Manager. To approve and periodically review safeguards to limit such impairments.

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5. Make appropriate enquiries of both Senior Accountable Officers and the Internal Audit Manager to determine if there are any inappropriate scope or resources limitations.
  6. Review, approve (but not direct) and monitor the delivery of the risk-based internal audit plan, the approach to using other sources of assurance, and any work required to place reliance upon those other sources. Ensure the plan considers changes arising from Government, Assembly or Council initiatives.
  7. Approve significant interim changes to the risk based Internal Audit Plan and resources requirements.
  8. Receive summaries of all internal audit reports issued, highlighting key actions with corporate control implications.
  9. Consider reports from the Internal Audit Manager on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
    - Updates on the work of internal audit including key findings, issues of concern including monitoring the implementation of agreed actions contained within internal audit reports, receive report on actions not implemented within agreed timescales and seek explanations from officers where required.
    - Regular reports on the results of the Quality Assurance Improvement Programme (QAIP);
    - Reports on instances where the Internal Audit service does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Governance Advice Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
  10. Receive and consider the Internal Audit Manager's annual report:
    - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of Internal Audit.
    - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement (AGS).
    - Keep performance indicators under review and evaluate, on an annual basis, the performance and effectiveness of Internal Audit and its compliance with best practice.
  11. Consider summaries of specific internal audit reports as requested.
  12. Receive reports outlining the action taken where the Internal Audit Manager has concluded that Senior Accountable Officers and service teams have accepted a



level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

13. Contribute to the Quality Assurance Improvement Programme (QAIP) and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.
14. Meet separately with the Internal Audit Manager to discuss any matters that the Committee or internal auditors believe should be discussed privately.
15. Should the need arise, arbitrate in the event of any failure to agree between a Senior Accountable Officers and Internal Audit.
16. Discuss with the external auditor the standard of work of internal audit.

### External Audit and External Regulatory Bodies

#### External Audit

17. Support the independence of external audit through consideration of the external auditors' annual assessment of its independence.
18. Review the external auditors' proposed audit scope and approach for the current year in the light of the Authority's present circumstances and changes in regulatory and other requirements arising from Government, Assembly or Council initiatives.
19. Ensure that the annual audit is undertaken in compliance with statutory requirements.
20. Receive all audit reports, and the annual audit letter, issued by the external auditor, and ensure that all agreed recommendations are implemented.
21. Consider specific reports as agreed with the external auditor.
22. Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
23. Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately. Ensure the auditors have access to the chair of the Audit Committee when required.
24. Review, annually, the performance of external audit and co-ordinate any feedback requested from the Wales Audit Office.

#### External Regulation: Performance

25. External arrangements for regulation and assurance are provided by a number of statutorily appointed bodies such as the Wales Audit Office (WAO), Estyn and the Care Inspectorate Wales (CIW), plus a number of other external regulatory bodies. To ensure the organisation manages and spends



public money including achieving value in delivery. This work is co-ordinated by the Chief Executive's Business and Communications team and a shared protocol for these working arrangements is in place.

26. To gain assurance and confidence of the Council's response to the external regulatory findings, the Audit Committee will:
  - a) Receive periodic reports from external regulators which will include the Council's response to the reports and ensure that effective processes are in place for setting and monitoring against proportionate and effective action plans.
  - b) Receive an annual report collating external regulatory activity on improvement assessment work which is supplemented by local risk based audit work; and
  - c) Receive the Annual Improvement Report from the Auditor General.

#### **D. Accountability Arrangements**

1. Require the attendance at the Committee of any officer or member, or the submission of a report from any officer, to provide further explanation in connection with any of the above Terms of Reference.
2. Evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.
3. The Committee must meet at least once a year and must also do so if the Council decides or if at least a third of the Committee's members require a meeting. Beyond those requirements, the Committee can meet whenever it likes.
4. The Audit Committee will keep the above Terms of Reference under annual review and propose any amendment to the County Council.
5. Report to full council and publish an annual report on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

#### **7.02 Composition**

1. The Chair and Vice-Chair of the Audit Committee will be chosen by the Committee itself at its first meeting following each annual general meeting. The Chair and Vice Chair of the Audit Committee will be chosen from amongst the opposition group(s), non-aligned Councillors or lay member on the Council (that is to say from amongst the group(s) none of whose members are included in the Cabinet).
2. The County Council shall appoint one person who is neither a serving Councillor nor an officer of the County Council or any other Council to serve as a lay member of the Committee with full voting rights. The lay member's term of office shall be from the first County Council meeting following the annual

general meeting following the County Council elections until the first County Council meeting after the annual general meeting following the next County Council elections. No more than one member of the Committee shall be on the Council's Cabinet. The Council Leader cannot be a member of the Committee.

3. It is the express wish of the Council that there should be continuity of membership of the Audit Committee so as to build up a body of expertise and maintain a consistency of approach.
4. In recognising the express wish of the Council, but observing the requirements of the legislation for political balance, the Audit Committee will comprise seven Members with the seats allocated in accordance with the legislation to the appropriate political groups and one lay member. Any proposed substitution shall comply with Council Procedure Rule 22.4 and the proposed substitute shall have attended relevant training. Substitutes will only be permitted where the Audit Committee, at the commencement of its meeting, agrees that good reasons exist for substitution.
5. Members will receive induction training on appointment to the Committee. Ongoing training will be provided as necessary to meet the requirements of the Committee, based on the skills and experience of the members.
6. The business of the Committee shall be conducted apolitically.

## Audit Committee Actions Raised – 2018/19

## Appendix B

Item No.	Report	Action Required	Action Taken	Status
<b>6<sup>th</sup> June 2018</b>				
5	Annual Governance Statement	To insert the word 'positive' before 'engagement with Trade Unions' in the AGS.	AGS updated to reflect these changes.	Closed
8	IA Progress Report	To make available to Members a full written update on progress with Greenfield Valley Heritage Park within 7-10 days.	Update emailed to Committee members 11 July 2018	Closed
11	Forward Work Programme	To move 'Asset Disposals & Capital Receipts' and 'Annual Report on External Inspections' to the November meeting or later. To remove the Internal Audit Progress Report from the September meeting.	Forward work programme updated to reflect these changes.	Closed
<b>11<sup>th</sup> July 2018</b>				
17	Draft Clwyd Pension Fund Accounts 2017/18	To schedule a future report and presentation on governance of the Clwyd Pension Fund.	Included within the forward work plan for 21 <sup>st</sup> November 2018.	Closed
18	Treasury Management Annual Report 2017/18 & Treasury Management Qtr1 Update 2018/19	To respond to the Committee on Cllr Johnson's request for information on FMS, the loan provider for LOBOs.	A response emailed to all committee members on 3 August 2018.	Closed
<b>12<sup>th</sup> September 2018</b>				
23	School Reserve Balances Year Ending 31/03/18	That a deteriorating deficit position on school balances be recorded as a live ongoing corporate risk in the Medium Term Financial Strategy.	This risk is now reflected in the monthly budget monitoring report to Cabinet and Scrutiny Committee.	Closed
<b>21<sup>st</sup> November 2018</b>				
32	Asset Disposal and Capital Receipts	That a private briefing note be shared with the Committee on the site disposal in Mold referred to by Cllr Peers.	A briefing note has been circulated to all members of the Audit Committee on 17 <sup>th</sup> January 2019.	Closed
32	Asset Disposal and Capital	To remove the item on Asset Disposals & Capital	This item has been removed from the Forward	Closed

Item No.	Report	Action Required	Action Taken	Status
	Receipts	Receipts from the January meeting.	Work Programme.	
32	Asset Disposal and Capital Receipts	The projected capital receipts supporting the Capital Programme to form part of the MTFS refresh in January/February.	The Capital Strategy continues to state that whenever capital receipts are received they will be used to fund the capital programme. Capital receipts are subject to considerable risk and uncertainty, and it is considered imprudent to recognise capital receipts until they have actually been received. In addition they are often subject to commercial sensitivity. The Council is therefore unable to include any specific estimates of receipts in the Capital Strategy or in considering the MTFS position.	Closed
32	Asset Disposal and Capital Receipts	The projected capital receipts supporting the Capital Programme to be reflected in the updated Capital Strategy.	The statement above also applies to this action.	Closed
35	Clwyd Pension Fund Governance	That the report be noted and feedback provided to the Clwyd Pension Fund Committee.	This was reported to the Pension Fund Committee in November 2018.	Closed
35	Clwyd Pension Fund Governance	That the Clwyd Pension Fund annual report be circulated to the Audit Committee.	Annual Report for the Clwyd Pension Fund was circulated to the Audit Committee members via email on 21 November 2018.	Closed
35	Clwyd Pension Fund Governance	Officers to consider the regularity of reporting and a possible future presentation on governance arrangements to give further assurance to the Committee without duplicating the work of the Pensions Board.	Included as an item to at the February Clwyd Pension Fund Committee.	Closed
36	Internal Audit Progress Report incl. GDPR compliance	That officers advise the Chair and Vice-Chair of the completion dates for the two issues outstanding from the 2016/17 Payroll audit.	The Chair and Vice Chair were notified on 14 <sup>th</sup> January that all actions for 16/17 Payroll audit have now been implemented.	Closed
36	Internal Audit Progress Report incl. GDPR compliance	To provide Cllr Dolphin with an update on progress with the final version of the legal agreement for the Greenfield Valley Trust.	An update has been provided to Cllr Dolphin on Greenfield Valley Trust.	Closed

Item No.	Report	Action Required	Action Taken	Status
36	Internal Audit Progress Report incl. GDPR compliance	To schedule an update report on Planning Enforcement.	A meeting took place on the 21 <sup>st</sup> December to review the outstanding actions and a further update is included within the covering report for Internal Audit Progress report para 1.06.	Closed
36	Internal Audit Progress Report incl. GDPR compliance	To consider Planning Enforcement at the next meeting of the Audit and Overview & Scrutiny liaison group.	This was raised at the last Chairs and Vice Chairs Liaison Group meeting.	Closed
<b>15<sup>th</sup> February 2019</b>				
46	WAO - Annual Audit Letter 2017/18	To circulate a link to WAO reports on the financial position of Welsh councils.	Circulated on 18/02/19	Closed
47	Risk Management Update	In developing the Council Plan 2019/20, review the wording on the debt level risk to capture a broader range of people who may be impacted outside Council tenants or those on Universal Credit.	The issue has been picked up in relation to Poverty within the Council Plan proposals for 2019/20.	Closed
49	Internal Audit Progress Report	To escalate those overdue actions with no responses to the Chief Officer team.	An email has been sent to all Chief Officers requesting an update for all actions. The outstanding actions report accompanying this email has also been amended to identify when the service provided the last update, if any.	Closed
49	Internal Audit Progress Report	To note that names of individuals should not be shown in future reports (p.199).	Noted. Future progress reports will not include an individual's name.	Closed
50	Corporate Anti-Fraud & Corruption Strategy and Fraud & Irregularity Response Plan	That subject to the amendments, the updated Corporate Anti-Fraud & Corruption Strategy be agreed.	The Anti-Fraud and Corruption Strategy has been amended to reflect the comments made by Committee was presented to the Constitution and Democratic Services Committee for approval in June 2019.	Closed
50	Corporate Anti-Fraud & Corruption Strategy and Fraud & Irregularity Response Plan	That the Fraud & Irregularity Response Plan be updated to include the suggestions raised by the Vice Chair at the briefing: Section 2.6 - remove double negative	The Fraud & Irregularity Response Plan has been amended to reflect the comments made by Committee and presented to the Constitution and Democratic Services Committee for approval in June 2019.	Closed

Item No.	Report	Action Required	Action Taken	Status
		Section 8.15 - remove 'where applicable'		
50	Corporate Anti-Fraud & Corruption Strategy and Fraud & Irregularity Response Plan	To consider what else could be put in the 'Cabinet Member' box at the top of future reports.	This line has now been removed from the report.	Closed
51	Whistleblowing Policy	To action the suggestions raised by the Vice Chair at the briefing.	The Whistleblowing Policy has been mended to reflect the comments made by Committee and presented to the Constitution and Democratic Services Committee for approval in June 2019.	Closed
<b>27<sup>th</sup> March 2019</b>				
59	WAO Audit Plan 2019	Regulatory reports to be included on the Forward Work Programme when received from WAO.	The Forward Work Programme will include future regulatory reports from WAO.	Ongoing
61	External Regulations Assurance	To forward to Sally Ellis recent performance reports on DFGs and Homelessness.	An update on the performance of DFGs Homelessness has been provided to Sally Ellis.	Closed
64	Internal Audit Progress Report	For future reports to include a footnote on Appendix C on which services the Red and Amber/Red assurance reports relate to.	The Internal Audit Progress Report has been updated to include this information.	Closed
65	Composition of Audit Committee	That the Committee wishes to recommend to Council, via the Council's Annual Meeting, that the number of councillors be retained on the Audit Committee and the membership rotated to allow all political groups to participate. Also that an additional lay member be recruited.	The composition of the Audit Committee was discussed at the Council's Annual meeting and approval given for the recruitment of an additional lay member. A new Lay Member has now been appointed.	Closed
65	Composition of Audit Committee	To send condolences to Paul Williams, the former lay member, on behalf of the Committee.	Condolences has been sent to Paul Williams.	Closed
67	Forward Work Programme	Corporate Grants and WAO regulatory reports to be scheduled.	The forward work programme will include Corporate Grants and WAO regulatory reports.	Closed

# Audit Committee Forward Work Programme – 2019/20

## Appendix C

Meeting Date	Agenda Item	Assurance Type	Int. / Ext. Assurance
05/06/2019	Draft Annual Governance Statement	Corporate Governance	Internal
	Internal Audit Annual Report 2018/19	Governance, Risk, Financial & Control	Internal
	Internal Audit Progress Report 2019/20	Governance, Risk, Financial & Control	Internal
	Audit Charter	Internal Audit	Internal
	Audit Committee Action Tracking	-	-
	Forward Work Programme	-	-
10/07/2019	Treasury Management 2019/20 Q1 Update & Annual Report 2018/19	Financial Management	Internal
	Supplementary Financial Information to Draft Statement of Accounts 2018/19	Accounts	Internal
	Risk Management update 2019/20	Risk Management	Internal
11/09/2019	School Reserves – Annual Report on School Balances	Financial Management	Internal
	Statement of Accounts 2018/19	Accounts	Internal
	Annual Improvement Report (WAO) (2018/19)	Corporate Governance	External
	Audit Committee Annual Report	Corporate Governance	Internal
	Contract Management	Internal Control	Internal
	Internal Audit Progress Report 2019/20	Governance, Risk, Financial & Control	Internal
	Audit Committee Action Tracking	-	-
	Forward Work Programme	-	-
20/11/2019	Asset Disposals and Capital Receipts	Financial Management	Internal
	Corporate Grants	Financial Management	Internal
	Treasury Management 2019/20 – Mid Year Report	Financial Management	Internal
	Risk Management Update – Mid Year Report	Risk Management	Internal
	Financial Procedural Rules (Biennial)	Financial Management	Internal
	Use of Consultancy Report	Internal Control	Internal
	Internal Audit Progress Report 2019/20	Governance, Risk, Financial & Control	Internal

Meeting Date	Agenda Item	Assurance Type	Int. / Ext. Assurance
	Audit Committee Action Tracking	-	-
	Forward Work Programme	-	-
29/01/2020	Treasury Management 2019/20 Q3 Update and 2020/21 Strategy	Financial Management	Internal
	Risk Management Update	Risk Management	Internal
	Code of Corporate Governance	Corporate Governance	Internal
	Annual Audit Letter	Accounts	External
	Internal Audit Progress Report 2019/20	Governance, Risk, Financial & Control	Internal
	Anti-Fraud & Corruption Strategy and Fraud & Irregularity Response Plan	Anti-Fraud & Corruption	Internal
	Whistleblowing Policy	Anti-Fraud & Corruption	Internal
	Audit Committee Action Tracking	-	-
	Forward Work Programme	-	-
25/03/2020	Treasury Management 2018/19 Q4 Update	Financial Management	Internal
	Audit Plan (WAO)	External Audit	External
	Annual Report on External Inspections 2018	Corporate Governance	External
	Certification of Grants and Returns Report (WAO)	Financial Management	External
	Internal Audit Strategic Plan 2019/2022	Internal Audit	Internal
	Public Sector Internal Audit Standards Compliance 2018/19	Internal Audit	Internal
	Internal Audit Progress Report 2018/19	Governance, Risk, Financial & Control	Internal
	Audit Committee Action Tracking	-	-
	Forward Work Programme		
	Private Meeting (WAO and Internal Audit)	Corporate Governance	Internal & External



# Audit Committee Self-Assessment and Action Plan

## Appendix D

Ref	Topic	1	2	3	4	5	Action	Status of Action	
		Strongly agree	Agree	Neither agree or	Disagree	Strongly Disagree			
Purpose of Audit Committee:									
1	Each Audit Committee member understands the Committee has different roles and responsibilities to those of Overview & Scrutiny?	2	4	0	0	0	Action: None	Status: Implemented & Ongoing - The joint committee of Chairs and Vice chairs will now assign risks to one of the Overview & Scrutiny Committees.	
2	The Audit Committee's Terms of Reference clearly defines and accurately reflects its responsibilities in promoting good governance and acting independent and objective at all times?	2	4	0	0	0	Action: Update and present revised TOR and Charter to the November Audit Committee.	Status: Implemented - Revised TOR and Charter presented to Audit Committee and Constitution and Democratic Services Committee in November and approved by Council in December 2018.	
							Action: Review the timing of the meetings should new members join the Committee.	Status: Ongoing	
Governance:									
3	The Audit Committee is regarded as being an essential part of the Council's corporate governance framework?	2	2	2	0	0	Action: It was agreed that next year the same question would be ask of Overview & Scrutiny Committees, Cabinet Members and Chief Officers.	Status: Outstanding - This will be undertaken for next year's self-assessment.	

Ref	Topic	1	2	3	4	5	<ul style="list-style-type: none"> <li>Action</li> <li>Status of Action</li> </ul>	
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree		
4	The Audit Committee provides meaningful assurance to Council and management as to the effectiveness of areas such as <i>Corporate Governance, Risk Management, Financial management and Internal Control?</i>						<b>Action:</b> Given the Audit Committee members are relatively new to the Committee guidance on the areas to consider / focus in relation to the statement of accounts would greatly benefit the members. Any major paper to be presented to AC, a short briefing on the subject is to take place at the Committee meeting before (statement of accounts and AGS).	<b>Status:</b> Implemented – also this continue on an ongoing basis.
		1	2	2	1	0	<b>Action:</b> The Committee discussed the overall assurance opinion determined by the Internal Audit Manager at the year end. The Committee felt that it would be useful to have a cumulative picture of this. It was agreed that the Internal Audit Progress report would provide an on-going summary of the assurance provided throughout the year.	<b>Status:</b> Implemented - The Internal Audit Progress Report has been revised to provide a summary of the assurance opinions given on an ongoing basis.
							<b>Action:</b> The risk profile of the Council was discussed on how the Committee could obtain assurance in relation to those strategic risks which effectively out of the Council of the Council. It was agreed that areas such as the Council's response to continuity plans e.g. BREXIT, could be explored.	<b>Status:</b> Implemented & Ongoing - this forms part of the work of the Joint Chair and Vice Chairs Committee.
							<b>Action:</b> The impact on decision making was discussed and the consequential impact on services and the will do versus the does. This could form part of additional work of IA but it also falls under the responsibility of the O&S committees.	<b>Status:</b> Ongoing - This will be taken up by the Chairs & Vice Chairs of Overview and Scrutiny and Audit Committee Liaison Group.

Ref	Topic	1	2	3	4	5	▪ Action ▪ Status of Action	
		Strongly agree	Agree	Neither agree or	Disagree	Strongly Disagree		
							<b>Action:</b> IT Priorities was another topic explored by the Committee as a number of actions appear to be on hold due to IT priorities. The Committee agreed with it would be helpful if IT could share with the Committee their approach to demand planning and how management actions fit into this.	<b>Status:</b> Outstanding.
							<b>Action:</b> The Audit Committee commented that sometimes is was difficult to 'see the wood for the trees' with the information they received. Example the AGS is long a wordy when they really need to feel assured. Need to liaise with key officers to share feedback.	<b>Status:</b> Implemented – presentation of the AGS provided to the Audit Committee.
							<b>Action:</b> The Audit Committee also suggested there may be times they need additional information (as and when) to support the subject they are gaining assurance from.	<b>Status:</b> Implemented & Ongoing – training will be provided as and when required on an ongoing basis.
Financial Statements								
5	The Audit Committee obtains sufficient information to provide assurance and make recommendations over the quality and accuracy of the Financial Statements?	0	4	2	0	0	<b>Action:</b> Given the Audit Committee members are relatively new to the Committee guidance on the areas to consider / focus in relation to the statement of accounts would benefit the Committee – it was agreed that any major paper to be presented to AC, a short briefing on the subject to take place the Committee meeting before.	<b>Status:</b> Implemented & Ongoing - Short briefing session on the statement of accounts has been held at the Committee meeting prior to the statement of accounts being presented for consideration.

Ref	Topic	1	2	3	4	5	Action	Status of Action
		Strongly agree	Agree	Neither agree or	Disagree	Strongly Disagree		
Assurance: - Internal Audit								
6	The Audit Committee obtains sufficient assurance over the quality of the Internal Audit service?	1	5	0	0	0	Action: Develop reporting method to demonstrate further the value of work IA undertakes.	Status: Implemented - To be completed as part of the internal Audit annual report.
7	The Audit Committee obtains sufficient assurance over the Council's approach to Counter Fraud?	0	5	1	0	0	Action: None	Status: N/A
Assurance – External Audit								
8	The Audit Committee obtains sufficient assurance over the quality of the External Audit service?	1	4	0	1	0	Action: None	Status: N/A
Audit Committee - Accountability								
9	Each Audit Committee member has a good understanding of the Council's priorities, statutory obligations and how their role as an Audit Committee member supports them?	1	4	1	0	0	Action: None	Status: N/A
10	Audit Committee members are provided with sufficient training and information?	1	3	0	2	0	Action: Due to the technicality of Treasury Management it was questioned why all members attend the session rather than it session being tailored to the needs of the Audit Committee members and for the training to cover both local and national level.	Status: Implemented - all Members are invited as the responsibility for approving the Strategy sits with full Council. However the training could be tailored to meet any training needs of audit committee members.

Ref	Topic	1	2	3	4	5	Action	Status of Action
		Strongly agree	Agree	Neither agree or	Disagree	Strongly Disagree		
							<b>Action:</b> The Committee felt it would be beneficial to have ½ hour training on key topics (ahead of when they are due at AC). 9.30-10.00 is the preferred timing for the training.	<b>Status:</b> Implemented and ongoing. Training sessions provided to the Committee.
11	The Audit Committee collectively possesses an appropriate skills mix to enable it to fulfil its role.	0	2	3	1	0	<b>Action:</b> None	<b>Status:</b> N/A
12	The Audit Committee communicates effectively with Full Council, Scrutiny Committees, the Internal Audit Manager, External Audit and other stakeholders?	0	0	4	1	1	<b>Action:</b> The Audit Committee felt committees do not currently operate as a 'whole' at the moment and welcome the re-establishment of the Chairs / Vice Chair liaison meetings.	<b>Status:</b> Implemented – The Joint Chairs and Vice Charis Group has now been re-established.
							<b>Action:</b> The Committee explored how risks raised by Audit Committee to Chairs / Vice Chairs will be monitored. The Committee was reassured that this would take place through action tracking due to the success with Audit Committees action tracking.	<b>Status:</b> Ongoing
							<b>Action:</b> The Committee raised the need to Overview & Scrutiny Committees, particularly the Cabinet Portfolio holders, to be made aware of any RED / Limited audit reports. It was confirmed that each Chief Officer is advised to present their audit report to O&S prior to attending AC.	<b>Status:</b> Implemented and ongoing – all Chief Officers are advised that their Cabinet Portfolio holder and Overview & Scrutiny are made aware of any Red / limited assurance report issued within their portfolio.

Ref	Topic	1	2	3	4	5	<div> <div>Action</div> <div>Status of Action</div> </div>	
		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree		
							<b>Action:</b> Communicate further with Council – through the annual report The Audit Committee also felt it would be beneficial to meet all members of the Internal Audit team 'Who's Who?' This will be arranged for in an informal setting prior to the next AC meeting.	<b>Status:</b> Implemented - the Audit Committee has met all members of the Internal Audit team.
							<b>Action:</b> A similar approach to be applied for finance / asset disposals etc limiting this to key officers within the service.	<b>Status:</b> Outstanding
13	The Audit Committee adequately accounts for how well it undertakes its roles and meets its terms of reference?	0	2	2	2	0	<b>Action:</b> This will be addressed through the Chair presenting the Annual Report to demonstrate their accountability.	<b>Status:</b> Implemented – Draft annual report for Audit Committee presented to September Committee in readiness for Council.
Overall Score		11	41	17	8	1		



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 11 <sup>th</sup> September 2019
<b>Report Subject</b>	Action Tracking
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

### RECOMMENDATIONS

1	The Committee is requested to accept the report.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE ACTION TRACKING REPORT</b>
1.01	<p>In previous meetings, requests for information, reports or actions 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.</p> <p>Full action tracking details within Appendix A.</p>
<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Action owners contacted to provide an update on their actions.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Action Points.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill, Internal Audit Manager  <b>Telephone:</b> 01352 702231  <b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	None.



**AUDIT COMMITTEE – ACTION SHEET**Presented Wednesday, 11<sup>th</sup> September 2019

27 <sup>th</sup> March 2019				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
59	WAO Audit Plan 2019	Regulatory reports to be included on the Forward Work Programme when received from WAO.	Lisa Brownbill	The Forward Work Programme will include future regulatory reports from WAO.

05 <sup>th</sup> June 2019				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Annual Governance Statement 2018/19	Para 1.05 2018/19 not 2017/18 (to amend for FCC).	Karen Armstrong	The Annual Governance Statement has been updated to reflect this change.
6	Annual Governance Statement 2018/19	People Strategy update to be scheduled for Corporate Resources Overview & Scrutiny Committee.	Robert Robins	The People Strategy is included on the September Forward Work Plan for Corporate Resources Overview & Scrutiny Committee.
7	Internal Audit Annual Report	In response to Sally's question, to review the level of audit work in Social Services with the Chief Officer and provide a response to the Committee.	Colin Everett, Gareth Owens, Lisa Brownbill	A review of the Audit Plan for Social Services has been performed considering: <ul style="list-style-type: none"> <li>• Benchmarking of plans across North Wales;</li> <li>• Re review of risk assessment undertaken as part of the 19/20 planning process; and</li> </ul>

				<ul style="list-style-type: none"> <li>Analysis of historical audit assurance opinions within Social services.</li> </ul> <p>The findings of this review were discussed with the Chief Executive and Chief Officer for Social Services on 7<sup>th</sup> August.</p> <p>Audit Committee members were emailed the outcome of this review on the 8<sup>th</sup> August.</p>
7	Internal Audit Annual Report	To realign page numbers on index of final version.	Lisa Brownbill	Annual Report numbering has been aligned.
9	Internal Audit Progress Report	<p>To consider follow-up to ensure the ethical behavior of contractors.</p> <p>To take on board Sally's suggestion to focus on common areas of weakness and lessons learned.</p>	Colin Everett, Gareth Owens, Lisa Brownbill	Within standard service contracts, there is a set of clauses which would allow the Council to set off against any future sums due.

10 <sup>th</sup> July 2019				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
16	Draft Statement of Accounts 2018/19	<p>Note 28 (p.45 of accounts)</p> <p>To write to BCUHB to raise the Committee's concerns about the amount owed to the Council.</p>	Colin Everett	<p>As the Council is already in talks with BCUHB, the Chief Executive has requested the Chief Officer, Social Services, and the Revenues Manager to formally share the minuted concerns of the Audit Committee regarding the level of debt owed to the Council by BCUHB. In response to this:</p> <ul style="list-style-type: none"> <li>Chief Officer, Social Services has advised this will be raised in Flintshire's Senior Leadership Meeting (quarterly), in the Regional Leadership Meeting (monthly)</li> </ul>

				<p>and in the East Area Strategic Transformation Group (quarterly).</p> <ul style="list-style-type: none"> <li>• The Corporate Finance Manager has also raised the issue at the North Wales Treasurers meeting a couple of weeks ago with the new Director of Finance, who has requested further details from all colleagues and committed to following up quickly.</li> <li>• The Revenues Manager will provide a comprehensive report showing the breakdown of all outstanding invoices, including the aged-debt analysis for this next meeting.</li> </ul>
16	Draft Statement of Accounts 2018/19	To highlight with the Audit Committee / Overview & Scrutiny liaison group for the Social & Health Care OSC to monitor the concerns relating to the level of debt owed to the Council by BCUHB.	Gareth Owens/ Lisa Brownbill	This has been included within the risks reviewed by the Chair and Vice Chair of the Audit Committee / Overview & Scrutiny Committees Liaison Group.
16	Draft Statement of Accounts 2018/19	To split the individual amounts owed to the Council by the NWP&CC and NW Fire Authority in the document.	Liz Thomas	Split out in final version of 2018/19 Statement of Accounts.
16	Draft Statement of Accounts 2018/19	For the 2019/20 accounts, to expand on footnotes for the three subsidiary companies to reflect high-level activities and risk summary for each.	Liz Thomas	Additional information to be included in 2019/20 Group Accounts.
18	Draft Clwyd Pension Fund Accounts 2018/19	To include a summary of points raised by the Clwyd Pension Fund Committee on the draft accounts in future covering reports to the Audit Committee.	Gary Ferguson	A summary of any issues raised by the Clwyd Pension Fund Committee will be included in future reports.

18	Draft Clwyd Pension Fund Accounts 2018/19	To circulate the agreed date for the Treasury Management training session.	Liz Thomas	The provisional Treasury Management training date of 11 <sup>th</sup> December 2019 has been shared with the Chair and Vice Chair of the Audit Committee.
18	Draft Clwyd Pension Fund Accounts 2018/19	To share the following points with the Clwyd Pension Fund Committee to satisfy itself with the explanations given: <ul style="list-style-type: none"> <li>• Increase in oversight and governance expenses;</li> <li>• Fund manager diversification;</li> <li>• Monitoring of red risks in the AGS.</li> </ul>	Debbie Fielder	This will be shared at the next Clwyd Pension Fund Committee.
19	Treasury Management Annual Report 2018/19 and 2019/20 Quarter 1 update	To include more detail on the borrowing strategy in the Treasury Management training session.	Liz Thomas	Further information on borrowing will be included in the training. This will include type and maturity of borrowing decisions, and relationship with Capital Finance Requirement and Minimum Revenue Provision.
20	Risk Management update	(b) That a mid-year report be received on the entire risk management system.	Colin Everett / Lisa Brownbill	A report on the Council's Risk Management System has been included within the Forward Work Programme in September 2019.
20	Risk Management update	Capital borrowing limits for Council housing (ST155) - to share the outcome of the Welsh Government decision on the borrowing cap with the Committee.	Gary Ferguson	It is confirmed that Welsh Government intend to lift the borrowing cap agreed as part of the original self-financing agreement introduced in April 2014. Work is currently underway, through legal colleagues, to terminate the Voluntary Agreement under which each authority exited the former Housing Revenue Account Subsidy scheme.



## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 11 September 2019
<b>Report Subject</b>	Forward Work Programme
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work Programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme, Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for Audit Committee.

### RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE FORWARD WORK PROGRAMME</b>
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.

1.02	<p>In identifying topics for future consideration, it is useful for a ‘test of significance’ to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> <li>1. Will the review contribute to the Council’s priorities and/or objectives?</li> <li>2. Is it an area of major change or risk?</li> <li>3. Are there issues of concern in governance, risk management or internal control?</li> <li>4. Is it relevant to the financial statements or financial affairs of the Council?</li> <li>5. Is there new government guidance or legislation?</li> <li>6. Is it prompted by the work carried out by Regulators/Internal Audit?</li> </ol>		
1.03	<p>Following the Committee meetings in June and July, and in consultation with the Chair and the Vice Chair of the Committee, there has been the need for some movement within the Forward Work Programme. This is detailed within 1.04 of the report.</p>		
1.04	<b>Report</b>	<b>Reason for Movement</b>	<b>New Report Date</b>
	School Reserves – Annual Report on School Balances	Timing of Committee meetings. This report needs to go to the Schools Budget Forum and Education Overview and Scrutiny Committee before Audit Committee.	November 2019
	Risk Management System	New to the Forward Work Programme as proposed at the July Audit Committee meeting.	September 2019
	Appointment of Lay Member	New to the Forward Work Programme following Lay Member interviews in July.	September 2019
	Estyn Report	New to the Forward Work Programme to provide the Committee with an overview of the external assurance report and the Council’s response.	November 2019
	Contract Management Report	Draft report with the Chief Officer, Governance, and agreed actions provided. However this report needs to be presented to COT in October for agreement to actions and final sign off.	November 2019

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Publication of this report constitutes consultation.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	None as a result of this report.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A - Draft Forward Work Programme.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lisa Brownbill Internal Audit Manager</p> <p><b>Telephone:</b> 01352 702231</p> <p><b>E-mail:</b> <a href="mailto:lisa.brownbill@flintshire.gov.uk">lisa.brownbill@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b><u>WAO, Wales Audit Office</u></b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p><b><u>Public Sector Internal Audit Standard (PSIAS)</u></b> A set of standards that all Internal Audit teams working in the public sector must comply with.</p>

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**AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2019/20****Presented to Committee – Wednesday, 11<sup>th</sup> September 2019**

Meeting Date	Agenda Item	Author
<b>11<sup>th</sup> September 2019</b>	Statement of Accounts 2018/19	Gary Ferguson
	Annual Improvement Report (WAO) (2018/19)	Karen Armstrong
	Audit Committee Annual Report	Cllr Chris Dolphin / Lisa Brownbill
	Risk Management System	Colin Everett / Karen Armstrong
	Appointment of Lay Member	Gareth Owens
	Internal Audit Progress Report 2019/20	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>20<sup>th</sup> November 2019</b>	School Reserves – Annual Report on School Balances	Claire Homard / Lucy Morris
	Estyn Report	Claire Homard
	Contract Management	Gareth Owens
	Asset Disposals and Capital Receipts	Neal Cockerton

Meeting Date	Agenda Item	Author
	Corporate Grants	Gary Ferguson
	Treasury Management 2019/20 – Mid Year Report	Liz Thomas
	Risk Management Update – Mid Year Report	Karen Armstrong
	Financial Procedural Rules (Biennial)	Sara Dulson
	Use of Consultancy Report	Colin Everett
	Internal Audit Progress Report 2019/20	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>29<sup>th</sup> January 2020</b>	Treasury Management 2019/20 Q3 Update and 2020/21 Strategy	Liz Thomas
	Risk Management Update	Karen Armstrong
	Code of Corporate Governance	Karen Armstrong
	Annual Audit Letter	Gary Ferguson / Paul Vaughan
	Internal Audit Progress Report 2019/20	Lisa Brownbill
	Anti-Fraud & Corruption Strategy and Fraud & Irregularity Response Plan	Lisa Brownbill
	Whistleblowing Policy	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>25<sup>th</sup> March 2020</b>	Treasury Management 2019/20 Q4 Update	Liz Thomas
	Audit Plan (WAO)	WAO
	Annual Report on External Inspections 2018	Karen Armstrong
	Certification of Grants and Returns Report (WAO)	Gary Ferguson
	Internal Audit Strategic Plan 2020/2023	Lisa Brownbill
	Public Sector Internal Audit Standards Compliance 2019/20	Lisa Brownbill
	Internal Audit Progress Report 2019/20	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (WAO and Internal Audit)	
<b>June 2020</b>	Draft Annual Governance Statement	Karen Armstrong
	Internal Audit Annual Report 2019/20	Lisa Brownbill
	Internal Audit Progress Report 2020/21	Lisa Brownbill
	Audit Charter	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
<b>July 2020</b>	Treasury Management 2020/21 Q1 Update and Annual Report 2019/20	Liz Thomas
	Supplementary Financial Information to Draft Statement of Accounts 2019/20	Liz Thomas
	Risk Management update 2020/21	Karen Armstrong