

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

Your Ref /
Eich Cyf

ur Ref / Ein Cyf ^{ST 0}

Date / Dyddiad 06/07/2010

Ask for / Sharon Thomas
Gofynner am

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Fax / Ffacs

Dear Sir / Madam,

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD** on **MONDAY, 12 JULY 2010** at **10:00** to consider the following items.

Yours faithfully



Democracy and Governance Manager

AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
3. **STATEMENT OF ACCOUNTS 2009/10**
Report of Head of Finance enclosed
4. **THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**
Report of Head of Finance enclosed

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FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 3

REPORT TO: **AUDIT COMMITTEE**
DATE : **12 JULY 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **STATEMENT OF ACCOUNTS 2009/10**

1.00 PURPOSE OF REPORT

- 1.01 To present the Statement of Accounts 2009/10 (subject to audit) for Members' information only at this stage.

2.00 BACKGROUND

- 2.01 The annual Statement of Accounts (together with the underlying policies and draft annual Statement on Internal Control) have in the past been considered by the Audit Committee in June (for approval by 30th June), prior to submission for audit, in accordance with the Accounts and Audit (Wales) Regulations 2005 [Regulations 9 and 10], and the terms of reference of the Audit Committee.
- 2.02 The requirements of the Accounts and Audit (Wales) Regulations 2005 have now been amended by the Accounts and Audit (Wales) (Amendment) Regulations 2010 which came into force on 31st March 2010.
- 2.03 A short report setting out this background was presented to Audit Committee on 28th June 2010.

3.00 CONSIDERATIONS

Audit Requirements

- 3.01 The Accounts and Audit (Wales) (Amendment) Regulations 2010 [Regulation 11], specify the amended statutory deadline for the approval of the accounts - the date has been moved from 30th June to 30th September, thus enabling approval to take place on audited rather than draft accounts.
- 3.02 The audit must be completed, and the Statement of Accounts approved and published by no later than 30th September 2010. At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustments to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final Statement will be presented to Audit Committee on the morning of 29th September 2010, and recommended to Council on the afternoon of the same day. Arrangements will be made for members to come in to drop in sessions over the summer, to obtain any detailed information about the draft accounts or to

Date: 06/07/2010

raise questions, prior to consideration of the final position at the end of September. Details will be arranged, subject to discussion at Audit Committee.

Accounting Policies

- 3.03 The Flintshire County Council accounts have been prepared in accordance with the requirements of the 2009 Code of Practice on Local Authority Accounting - A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accounting (CIPFA), supported by guidance notes on the application of accounting standards.
- 3.04 The Clwyd Pension Fund accounts have been prepared in accordance with the SORP, which complies in principle with the main recommendations of the SORP 'Financial Reports of Pension Schemes' issued by Pensions Research Accountants Group (PRAG), with some revisions in the disclosure requirements. The Accounting Standards Board (ASB) has approved PRAG as an issuer of SORPs for pension schemes.
- 3.05 The 2009 SORP has prompted some changes in the accounting policies of the Council in respect of accruals of interest payable and receivable, and clarification of when available-for-sale financial assets become impaired. There have been no changes in the adopted estimation techniques and no material and unusual charges or credits are included within the accounts.

Annual Governance Statement

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

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

Information Included in the Statement of Accounts

- 3.07 The statements included are :-
- The core financial statements comprising of – the income and expenditure account, statement of movement on the general fund balance, statement of total recognised gains and losses, balance sheet and cash flow statement.
 - The supplementary financial statements comprising of – the housing revenue account and statement of movement on the housing revenue account balance.

- The group accounts comprising of – the group income and expenditure account, reconciliation of the single entity income and expenditure account surplus or deficit to the group income and expenditure account surplus or deficit, group statement of total recognised gains and losses, group balance sheet and group cash flow statement.
- The pension fund accounts.

4.00 RECOMMENDATIONS

4.01 Members are requested to note the draft Annual Statement of Accounts 2009/10, together with the underlying policies, including the Annual Governance Statement.

4.02 Members are requested to note that drop in sessions are planned over the summer, subject to members' consideration at Audit Committee.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the report.

6.00 ANTI-POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Statement of Accounts 2009/10.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
BACKGROUND DOCUMENTS

None

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STATEMENT OF ACCOUNTS

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2009-10



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FLINTSHIRE COUNTY COUNCIL

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EXPLANATORY FOREWORD

The foreword provides an explanation in overall terms of the Council's financial position, and serves to assist in the interpretation of the accounts. It also offers interested parties a guide to the most significant matters reported in the accounts. The information presented on pages 16 to 68 is in accordance with the requirements of the 2009 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements included are :-

- The core financial statements comprising of – the income and expenditure account, statement of movement on the general fund balance, statement of total recognised gains and losses, balance sheet and cash flow statement.
- The supplementary financial statements comprising of – the housing revenue account and statement of movement on the housing revenue account balance.
- The group accounts comprising of – the group income and expenditure account, reconciliation of the single entity income and expenditure account surplus or deficit to the group income and expenditure account surplus or deficit, group statement of total recognised gains and losses, group balance sheet and group cash flow statement.

The pension fund accounts are presented in accordance with required guidance on pages 69 to 77.

REVENUE BUDGET AND OVERALL FINANCIAL POSITION

The budget for 2009/10 was set during a period of general economic uncertainty and increased demand for Council services, and at a time of falling service income and reduced investment returns. As in previous years, the approach in setting the budget was to continue to give priority to supporting schools; also, priority was to continue in supporting those young people with disabilities who were moving through to adult services, and in providing care for the older people within the County area. The Council embarked upon an ambitious organisational change programme with the aim of ensuring high performance and efficiency, with reduced overhead costs. The 2009/10 budget identified savings of almost £3,000k, and included an action plan for further in-year savings of £1,000k. The change programme whilst seeking out all opportunities for efficiencies, was to continue to support growth and the delivery of services across the County.

Total net expenditure for 2009/10 amounted to £234,804k against a budget of £235,057k.

	2009/10 Budget	2009/10 Actual	Variance	2008/09 Actual
	£000	£000	£000	£000
Net expenditure on services	221,566	221,162	(404)	216,289
Central loans and investment account	13,491	13,642	151	11,320
Total net expenditure	235,057	234,804	(253)	227,609
Financed by				
Council tax (net of community council precepts expenditure)	51,326	51,318	8	49,690
General grants	143,294	143,293	1	139,074
Non-domestic rates redistribution	40,437	40,437	0	39,371
Total resources	235,057	235,048	9	228,135
Net variance (underspend)	-	-	(244)	-

EXPLANATORY FOREWORD

continued

REVENUE BUDGET AND OVERALL FINANCIAL POSITION (continued)

The net underspend of £253k, decreased to £244k by way of reduced Council tax (£8k), and reduced general grants (£1k). The £244k, has served with other agreed funding transfers of £579k (net credit), to produce a year-end general fund revenue reserves total of £27,246k, which incorporates a general fund balance element of £25,796k.

	Net			2009 £000
	2010 £000	Underspend £000	Other £000	
Unearmarked balances	6,277	244	(1,224)	7,257
Earmarked balances	19,519	0	1,698	17,821
General fund balance	25,796	244	474	25,078
Locally managed schools (not available for general purposes)	1,450	0	(1,053)	2,503
Total general fund revenue reserves	27,246	244	(579)	27,581

ASSETS ACQUIRED AND LIABILITIES INCURRED

Significant expenditure was incurred during the year in the creation of an integrated community equipment facility at Hawarden (£1,077k) under a pooled fund arrangement with Wrexham County Borough Council - a scheme fully funded by the Welsh Assembly Government. Other major works included the completion of two new special schools in Flint – at the Gwynedd Junior School (£562k), and at Flint High School (£630k); a substantial part of the overall funding for the two schools has been provided (since commencement of works in 2007/08) by way of Welsh Assembly Government, specific School Buildings Improvement Grant (SBIG).

PENSIONS

Disclosures are in accordance with Financial Reporting Standard 17 (FRS 17), accounting in full for pension liabilities. FRS17 has no impact on Council tax levels or housing finance.

BORROWING FACILITIES

No new long term borrowing was undertaken during 2009/10.

SOURCES OF CAPITAL FINANCING

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

	2010 £000	2009 £000
Supported borrowing	7,759	7,827
Unsupported (prudential) borrowing	409	312
Capital receipts	213	4,141
Capital grants and contributions	21,651	25,549
Capital reserves/capital expenditure funded from revenue account	1,035	3,029
Total financing	31,067	40,858

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The accounts have been prepared in accordance with the requirements of the 2009 Code of Practice on Local Authority Accounting – A Statement of Recommended Practice (the SORP) issued by CIPFA, supported by guidance notes on the application of accounting standards.

The 2009 SORP has prompted some changes in the accounting policies of the Council in respect of accruals of interest payable and receivable, and clarification of when available-for-sale financial assets become impaired. There have been no changes in the adopted estimation techniques, and no material and unusual charges or credits are included within the accounts.

PROVISIONS

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

RESERVES

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

TANGIBLE FIXED ASSETS

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). They are classified into various groupings as required by the 2009 Code of Practice on Local Authority Accounting.

Non-specialised operational properties have been valued on the basis of market value for their existing use. In cases where there was no market value for a particular asset, depreciated replacement cost has been used. Other operational fixed assets (infrastructure and community assets) are valued on the basis of historic cost, and those properties regarded by the Authority as non-operational have been valued on the basis of market value - existing use/market value.

The whole of the assets of the Authority must be revalued every five years. The last full asset revaluation was undertaken as at 1st April 2004, but with effect from 2007/08, a proportion of the total asset portfolio is revalued each year (20% in both 2007/08 and 2008/09, with the balance of 60% in 2009/10), although material changes to valuations are adjusted in the interim period, as they occur. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. The revaluation reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Different classes of asset included on the group balance sheet are measured on different bases (in common with the balance sheet).

STATEMENT OF ACCOUNTING POLICIES

continued

INTANGIBLE ASSETS

Intangible assets, such as development expenditure, goodwill or purchased software licences may meet the definition of assets when access to the future economic benefits that they represent is controlled by the Council, either through custody or legal protection.

DEPRECIATION

Straight line depreciation is provided for on all fixed assets with a finite useful life (other than for non-depreciable land and non-operational investment properties), with provision made from the first full financial year following acquisition/valuation. The calculation is based on the 2009/10 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values for all fixed assets. Where the asset comprises two or more major components with substantially different useful economic lives, each component has been accounted for separately. The most common useful lives used in respect of the provision for depreciation are :-

	Years
Council dwellings and garages	40
Other land and buildings	50
Vehicles, plant, furniture and equipment	5
Infrastructure assets	40
Community assets	20

CAPITAL RECEIPTS

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

IMPAIRMENT

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by either a charge to the relevant revenue account where the loss is attributable to the clear consumption of economic benefits, or otherwise it is written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

STATEMENT OF ACCOUNTING POLICIES

continued

IMPAIRMENT (continued)

Where an impairment loss is charged to the income and expenditure account but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

GRANTS

Grant receipts in support of capital and revenue expenditure are accounted for on an accruals basis. Where an asset is financed partly or wholly by government grant (or any other contribution), the financing sum is credited to the government grants deferred account and released at the same rate and in the same proportion as the depreciation charged against the asset in the relevant service revenue account. Grants to cover general revenue expenditure (such as revenue support grant) are credited to the foot of the income and expenditure account (see page 18).

INTEREST CHARGES

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

DEBT REDEMPTION

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

LEASES

Operating lease rentals are charged to revenue accounts on an accruals basis. The Council does not currently hold any assets acquired under finance leases.

FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account 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 income and expenditure account is the amount payable for the year in the loan agreement.

FINANCIAL ASSETS

Financial assets are classified into two types:

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

STATEMENT OF ACCOUNTING POLICIES

continued

FINANCIAL ASSETS (continued)**Loans and Receivables:**

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

Available-for-Sale Assets:

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

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

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

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

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

DEBTORS AND CREDITORS

The revenue and capital accounts of the Authority are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2010.

STOCKS

Stocks are valued at the lower of cost or net realisable value

STATEMENT OF ACCOUNTING POLICIES

continued

OVERHEADS

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

PENSIONS

Quoted securities held as assets in the defined benefit scheme are valued at bid price, in accordance with the adopted amendment to FRS17, *Retirement Benefits*.

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

Teachers:

This is an unfunded scheme administered by the Department for Children, Schools and Families (DCSF). The pension costs charged to the accounts are at a contribution rate set by the DCSF on the basis of a notional fund.

Other Employees:

This is a funded defined benefit final salary Local Government Pension Scheme (LGPS). As required under FRS 17 - Retirement Benefits, the accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated. The discount rate which is used to place a value on liabilities and calculate the current service cost, is based on the redemption yields available on high quality corporate bonds.

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

INVESTMENTS

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

VALUE ADDED TAX

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

STATEMENT OF ACCOUNTING POLICIES

continued

FINANCIAL RELATIONSHIPS WITH COMPANIES

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

On 28th September 2007, the Council gave notice to terminate its remaining contract with the company by 30th September 2009; following a review of various options available, and in view of the pending contract end date, the Authority resolved on 29th October 2008 to bring the company's activities in-house. The transfer of the trade and assets of the company will be completed during 2010/11.

GROUP ACCOUNTS

Local authorities with, in aggregate, material interests in subsidiary, associated companies or joint ventures are required to prepare a full set of group financial statements. The Council has such material interests in AD Waste Limited which has been determined as, and accounted for as a subsidiary in accordance with FRS 2 (Accounting for Subsidiary Undertakings).

Date of Authorisation of Accounts

The 2009/10 Statement of Accounts was authorised for issue on xxth September 2010 by Kerry Feather (Head of Finance). This is the date up to which events after the balance sheet date have been considered.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

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

Signed :

Ian Roberts
Chairman of Audit Committee

Dated :

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

The Head of Finance has also :-

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

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

In addition the statement presents a true and fair view of the financial transactions of the Clwyd Pension Fund during the year ended 31st March 2010 and the amount and disposition at that date of its assets and liabilities.

Signed :

K. A. Feather

Kerry Feather CPFA
Head of Finance

Dated : 29 June 2010

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

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

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

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

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Flintshire County Council for the year ended 31st March 2010 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

ANNUAL GOVERNANCE STATEMENT

continued

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

The Council has an Anti-Fraud and Corruption Strategy that identifies the responsibilities of both Members and employees in promoting a culture of honesty and integrity.

The Executive, in consultation with the Constitution Forum, are responsible for approving the Code, and the Chief Executive and Monitoring Officer are responsible for ensuring that it is kept up to date. The Monitoring Officer and responsible Financial Officer are responsible for ensuring an annual review of compliance with the Code, and Internal Audit independently audits the process.

An initial self-assessment review of corporate governance arrangements was undertaken during 2007 which clearly indicated that good progress had been made against the CIPFA / SOLACE six core principles. The Code of Corporate Governance was subsequently reviewed and adopted by the County Council in October 2008. A further self-assessment review of corporate governance arrangements was undertaken early in 2010, setting out the Council's achievements under each of the six core principles, and where appropriate identifying further action needed to strengthen the Council's arrangements. Detailed action plans will be incorporated within the Council's business planning arrangements. Internal Audit have carried out a review of overall Corporate Governance and made a few recommendations to ensure further improvement. Internal Audit will track the actions as part of their ongoing review of Corporate Governance.

The Code of Corporate Governance – Self Assessment Review 2010 and the Code of Corporate Governance are available from Legal and Democratic Services.

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

The three service Directorates have produced Directorate Plans which summarise the critical performance, risk and improvement activity for the Directorates as well as reflecting key aspects of delivery commitments for the strategic partnerships. The corporate services are also reflected in a Corporate Services Plan which summarises the main areas of activity from the service plans for ICT and Customer Services, Human Resources, Finance and Legal and Democratic Services.

In addition, all Council service areas have reviewed and completed their service plans at Head of Service level. These plans are annual but have a longer term consideration until 2013 to reflect the objectives of sustainable services, business continuity and longer term performance and improvement commitments.

ANNUAL GOVERNANCE STATEMENT

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Service Plans are available from Legal and Democratic Services.

The Local Government (Wales) Measure redefines the basic duty on local authorities, national park authorities and fire and rescue authorities to make arrangements to secure continuous improvement and account for it. It also requires local partners to be involved and cooperate in the delivery of community planning outcomes and to engage with citizens. The priorities for change and improvement are determined annually and supported by the council's business planning processes as contained within its Governance (Council) Plan Framework. The new arrangements include a corporate assessment and a performance assessment, both undertaken by the Wales Audit Office in conjunction with other regulators (Estyn, Care and Social Services Inspectorate Wales and the Welsh Language Board); the outcome of which is reported annually in an Improvement Assessment.

The content of the ongoing review of the strategic assessment of risks and challenges informs (i) the Corporate Management Team Work Programme, (ii) the Internal and External Regulatory Programme for 2010/11 and (iii) the Council Planning Framework. The strategic assessment has been compiled under the following categories:

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

The current Strategic Assessment of Risks and Challenges is available from Legal and Democratic Services.

To ensure clarity, direction and consistency in stated aims and expectations for good governance, the Council has drafted a Statement of the Priorities of the Administration, which covers the current Council term (to May 2012). The list is comprehensive having ten governance and thirty public service priorities.

The priorities:

- Clarify expectations for the Council and its professional management
- Ensure that formal priorities of the Council are consistent with the political priorities of the Administration
- Directly meet the comments in the most recent Annual Letter of the Wales Audit Office

The Statement of the Priorities of the Administration is available from Legal and Democratic Services.

The future financial context is extremely challenging due to the predicted significant reductions in available revenue and capital resources from central government over the medium to longer term. A Wales Efficiency and Innovation Programme and Board has been established by the Welsh Assembly Government. The aim is to improve the operational efficiency of public services, promote innovation and workforce engagement in the way that services are designed and delivered to citizens, and build much stronger collaboration across organisations and administrative boundaries.

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The North Wales Regional Partnership Board (NWRPB) has published its vision for collaboration and external partnerships, to make its organisations more efficient, effective and responsive and is in the process of establishing four Programme Boards to progress collaborative working within the region.

The Council is developing its Flintshire Futures Programme, designed to manage the impacts of reducing public sector finance. The programme is whole-sale, ambitious and challenging and aims to:

- Set out a statement of intent on how the Council will manage the financial challenge both as an individual public sector organisation and with its partners
- Provide a framework for concerted and effective action for organisational change
- Provide options for choice over its priorities
- Enable the Council to make best use of capacity and be clear about what resources are needed, from within and nationally, to meet the challenge.

The Flintshire Futures Programme has two parts. Firstly, the Change Programme. Secondly, the Choice Programme. The aim of the Change Programme is to make the Council as efficient as possible. The aim of the Choice Programme is to choose the most effective and cost-efficient ways of governing and providing service whether directly or in forms of partnership and procurement with the local government, public, third and private sectors.

All councils were required to agree an Improvement Agreement (to be replaced by an Outcome Agreement in 2010/11) with the Welsh Assembly Government during 2008/09. Improvement Agreements are structured to demonstrate local authorities' contribution to One Wales, which is the programme for government over the current Assembly term providing an agenda for improving the lives of people in Wales. The detailed contents of the Council's agreement were endorsed by Executive in June 2009, with a progress report to Executive in December 2009 stating that the Council had made good progress against its 2008/09 targets.

The Improvement Agreement is available from Legal and Democratic Services.

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

The role of the Local Service Board (LSB) is four fold: to be a partnership body of local leaders; to discharge the responsibilities of the LSB; to undertake consistent and effective governance and performance reviews of the strategic partnerships; and to identify common issues as public bodies. A new model of partnership governance (including annual self assessment) has been developed and endorsed by the LSB and is now being used by the strategic partnerships and other 'relevant' bodies.

The Local Service Board has approved the Community Strategy 2009-2019 as a 'county vision' for Flintshire, which provides the framework for a series of work programmes and development of Local Delivery Agreements between the Council and its community planning partners.

ANNUAL GOVERNANCE STATEMENT

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4. REVIEW OF EFFECTIVENESS

Flintshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This process is informed by:-

- Directors who have responsibility for the development and maintenance of the internal control environment; all Directors have completed Service Assurance Statements for 2009/10. The assurance gathering process will be reviewed during 2010, with a view to extending the Service Assurance Statement process to service level going forward
- Assurance Statement completed by AD Waste Limited as per SORP 2009 requirements (comments and assurance assessment scores as provided by AD Waste Limited) – 100% owned by the Council - Group Activity
- The work of Internal Audit, Risk, Financial and Performance Management
- Comments made by our appointed external auditor (PwC / WAO) and other review agencies and inspectorates

The Council's Constitution sets out how the Council operates, how decisions are made, the procedures to be followed to ensure that these decisions are efficient, transparent and accountable to local people. The Constitution is divided into 19 articles which set out the basic rules covering the Council's business.

How the Council Operates

The Council is composed of 70 councillors elected every four years. Councillors are democratically accountable to residents of their electoral division. County Council approve the Council's overall policies and set the annual budget.

The Executive is the part of the Council responsible for making most of the major decisions. The Executive is made up of 9 portfolio members including the Leader and the Deputy Leader.

Currently, six Overview and Scrutiny Committees hold to account, support and advise the work of the Executive and the Council as a whole. However, following a review of Overview and Scrutiny, the Constitution Committee have recommended that two of the committees be amalgamated with effect from 2010/11. The activities of the Committees are coordinated by the Scrutiny Co-ordinating Committee, which ensures, amongst other things, that there is no duplication or wasted effort in this area. Overview and Scrutiny Committees also monitor the decisions of the Executive. They can 'call-in' a decision which has been made by the Executive but not yet implemented. This enables them to consider whether the decision is appropriate and if relevant refer it back to the Executive or ask the Council to review it.

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

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

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

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

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

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

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

The Planning Protocol Working Group have successfully introduced a third party representation process at meetings of the Planning and Development Committee and agreed a deferment process of decisions made against officer recommendations. An amended Delegation Scheme for the Head of Planning has also been introduced although a more fundamental review is planned.

The Constitution Committee has devised a work programme, however some aspects of the programme have been delayed due to the late start of the Wales Audit Office Corporate Governance Diagnostic exercise, which will identify good practice and highlight areas for further development.

The Council is committed to maintaining effective and sound industrial relations by working in partnership with its recognised trade unions. As part of these arrangements, management and elected Members meet with the trade unions on a regular basis. The Flintshire Joint Trade Union Committee (FJTUC) which comprises senior management representatives and trade union colleagues, and the Joint Consultative Committee (JCC) comprising senior management, elected Members and trade

ANNUAL GOVERNANCE STATEMENT

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unions, is a framework for the exchanging of ideas and views which affect the interest of the workforce and the organisation. These committees enable the Council to engage fully with the trade unions at an early stage and to communicate and consult on proposals and issues of common interest to all parties. These arrangements are important in maintaining partnership working between employer and trade unions for the Council.

5. SIGNIFICANT GOVERNANCE ISSUES

Some significant weaknesses were identified by Internal Audit during 2009/10 in the following areas:

- Rent Recovery
 - The need to improve controls over the recovery of debts and vacant properties
- Corporate Grants
 - The need for the corporate grants register to be fully utilised and reconciled to the financial ledger
- Procurement
 - The need to ensure that Contract Procedure Rules are fully complied with
- Housing Maintenance and Repairs
 - The need to re-introduce previous controls over stock checks
- TASK (Highways job costing system)
 - The need to improve controls over costing and invoicing
- Taxi Contracts
 - The need to improve controls over tendering and the awarding of contracts
- Public Protection – Income from Fees
 - The need to improve administrative systems around income from fees

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

In the Annual Governance Statement for 2008/09 areas of significant weaknesses identified by internal audit were noted. Action plans had been agreed to correct the weaknesses identified during these reviews. During 2009/10 these areas were subject to recommendation tracking to ensure that action was being taken.

For the following areas actions to mitigate the significant weaknesses have been reported as being completed:

- Accounting for Assets
- Corporate Property Maintenance
- Grants to Voluntary Organisations
- Fostering and Adoption

For the remaining areas, some progress has been made, but more remains to be done:

- General Ledger
 - The need to replace the current computer system
- Debt Recovery and Enforcement
 - The need to tighten controls on debt recovery, credit checking and bad debt write-offs

ANNUAL GOVERNANCE STATEMENT

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- Land Ownership
 - The need to integrate the land terrier with Technology Forge to enable all relevant details concerning all land owned by the Council to be on one database

The Strategic Assessment of Risks and Challenges (SARC) details the priorities for change and improvement together with the associated top level actions required to be undertaken by the Council.

The established principles underlying the strategic assessment are:

- The evolving and ‘live’ nature of the document means that it is constantly being reviewed, refreshed and updated. Versions will be saved and the most recent version will be updated and displayed on the Council’s intranet site
- Periodic Member reporting will be on a quarterly basis with monthly monitoring by Corporate Management Team
- All risk and challenge areas will be included in officer appraisals

A summary position of the status for all the strategic risks and challenges was reported to Executive in March 2010.

The governance framework comprises the systems and processes to ensure continuous review of the Council’s internal control arrangements and should add value. The framework will help focus the Council in its aim to ensure that services are delivered economically, efficiently and effectively, utilising the financial and human resources available to best fit the needs of the community.

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

.....

Leader of the Council

.....

Chief Executive

.....

Head of Finance

Dated :

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st March 2010

	Note	Gross Expenditure £000	2010 Gross Income £000	Net Expenditure £000	2009 Net Expenditure £000
Service Expenditure Analysis					
Adult social care		56,254	15,811	40,443	37,920
Central services to the public		3,344	1,754	1,590	1,666
Education and children's services		237,624	26,773	210,851	129,061
Court services		237	0	237	200
Cultural, environmental, regulatory and planning services		77,829	22,356	55,473	41,073
Highways and transport services		24,744	10,500	14,244	12,609
Housing services :					
Housing general fund		51,322	48,382	2,940	5,080
Housing revenue account (HRA)		107,773	23,676	84,097	9,504
Corporate and democratic core		1,603	16	1,587	2,606
Non distributed costs		1,362	0	1,362	625
Unallocated write down of plant and equipment costs		3,871	0	3,871	3,871
Net cost of services		565,963	149,268	416,695	244,215
Net gain on the disposal of fixed assets				(648)	0
Levying bodies				6,973	6,766
Major preceptor - North Wales Police Authority *	4			11,793	11,234
Other preceptors - community councils	4			2,040	1,977
Trading services				0	207
Interest payable and similar charges	1			9,871	10,001
Investment losses	2			351	548
Interest and investment income				(756)	(3,119)
Pensions interest cost	3			30,299	30,607
Expected return on pensions assets	3			(17,024)	(21,202)
Net operating expenditure				459,594	281,234
Council tax *	4			(65,151)	(62,901)
Distribution from non-domestic rate pool	5			(40,437)	(39,371)
Government grants - general	6			(143,293)	(139,074)
(Surplus)/deficit for year				210,713	39,888

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

* Expanded analysis in line with 2009 SORP requirements.

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The £210,713k deficit represents the amount by which the income is less than expenditure.

The amounts in addition to the Income and Expenditure Account deficit for the year that are required to be credited to the General Fund in determining the movement on the General Fund balance for the year are as detailed on page 19.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE
for the year ended 31st March 2010

INCREASE OR DECREASE IN THE GENERAL FUND BALANCE FOR THE YEAR

	2010	2009
Note	£000	£000
(Surplus) or deficit for the year on the Income and Expenditure Account	210,713	39,888
Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund balance for the year	(211,431)	(41,167)
General fund (surplus)/deficit for year	(718)	(1,279)
General fund balance brought forward	(25,078)	(23,799)
General fund balance carried forward	7 (25,796)	(25,078)

ANALYSIS OF ADDITIONAL ITEMS REQUIRED BY STATUTE AND NON-STATUTORY PROPER PRACTICE TO BE TAKEN INTO ACCOUNT IN DETERMINING THE GENERAL FUND SURPLUS OR DEFICIT FOR THE YEAR

	2010	2009
Note	£000	£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of intangible fixed assets	(6)	(6)
Depreciation and impairment of fixed assets	(221,704)	(48,095)
Government grants deferred amortisation matching depreciation and impairments	3,012	2,565
Revenue expenditure funded from capital under statute	(4,126)	(7,274)
Net gain on sales of fixed assets	648	0
Differences between amounts debited/credited to the income and expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	613	613
Impairment of investments in Icelandic banks	2 (351)	(575)
Amount by which pension costs calculated in accordance with the SORP (ie in accordance with FRS 17) are different from the contributions due under the pension scheme regulations	(2,105)	(1,884)
	<u>(224,019)</u>	<u>(54,656)</u>
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Statutory provision for repayment of debt	8 6,251	6,203
Capital expenditure charged to the General Fund balance	1,930	1,830
	<u>8,181</u>	<u>8,033</u>
Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund balance for the year		
Housing Revenue Account balance	575	(511)
Net transfer to/(from) earmarked reserves	4,885	6,040
Schools element	(1,053)	(73)
	<u>4,407</u>	<u>5,456</u>
Amount by which the surplus on the General Fund for the year was greater than the Income and Expenditure result for the year	<u>(211,431)</u>	<u>(41,167)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st March 2010

	2010	2009
	£000	£000
(Surplus)/deficit on the income and expenditure account for the year	210,713	39,888
(Surplus)/deficit arising on revaluation of fixed assets	(74,805)	(16,534)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets	66	(55)
Actuarial (gains) and losses on pension fund assets and liabilities	66,121	(7,664)
Balance sheet classification adjustments	0	(232)
Other (gains) and losses not reflected in the income and expenditure account	(1,433)	(263)
Total recognised (gains) and losses for the year	<u>200,662</u>	<u>15,140</u>

Not all of the gains and losses experienced by the Council are reflected in the income and expenditure account, the statement of recognised gains and losses (STRGL) brings together all the gains and losses of the Council for the year.

The income and expenditure account brings together all of the functions of the authority and summarises all of the resources generated, consumed or set aside during the year. However, other gains and losses are also recognised in the balance sheet that are not debited or credited to the income and expenditure account. The STRGL is the statement that brings these other gains and losses together with the outturn on the income and expenditure account to show the total movement in the net worth (as recorded in the balance sheet) for the year.

BALANCE SHEET
as at 31st March 2010

		2010		2009	
	Note	£000	£000	£000	£000
Fixed Assets					
Intangible Assets	17		6		12
Tangible Fixed Assets	18				
Operational assets					
Council dwellings		328,715		386,415	
Other land and buildings		362,233		416,659	
Vehicles, plant, furniture and equipment		5,137		9,767	
Infrastructure assets		153,821		150,208	
Community assets		9,134		7,853	
		<u>859,040</u>		<u>970,902</u>	
Non-operational assets					
Investment properties		26,266		28,790	
Assets under construction		681		9,177	
Surplus assets held for disposal		13,682		14,437	
Agricultural estate		14,493		12,439	
		<u>55,122</u>		<u>64,843</u>	
Total Fixed Assets			<u>914,168</u>		<u>1,035,757</u>
Long term investments	19, 34		612		7,123
Long term debtors	20		299		278
TOTAL LONG TERM ASSETS			<u>915,079</u>		<u>1,043,158</u>
Current Assets					
Stocks	21	1,031		1,210	
Debtors (net of impairment losses provision) *	22	30,096		23,960	
Temporary investments	23	30,347		33,489	
Cash and bank	24	13,041		10,551	
			<u>74,515</u>		<u>69,210</u>
Current Liabilities					
Borrowing repayable on demand or within 12 months *	25	(1,330)		(1,329)	
Cash overdrawn		(7,477)		(8,356)	
Creditors *	26	(30,995)		(32,770)	
			<u>(39,802)</u>		<u>(42,455)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>949,792</u>		<u>1,069,913</u>
Borrowing repayable within a period in excess of 12 months *	27, 34		(173,613)		(173,613)
Deferred liabilities	28		(1,025)		0
Grants and contributions unapplied account	29		(6,906)		(10,229)
Government grants deferred account	30		(107,100)		(92,488)
Provisions	31		(72)		(71)
Asset related to defined benefit pension schemes	3	340,130		248,841	
Liability related to defined benefit pension schemes	3	(589,060)		(429,545)	
			<u>(248,930)</u>		<u>(180,704)</u>
TOTAL ASSETS LESS LIABILITIES			<u>412,146</u>		<u>612,808</u>

* Restated 2008/09 figures in line with 2009 SORP requirements.

BALANCE SHEET
as at 31st March 2010 (continued)

	Note	2010		2009	
		£000	£000	£000	£000
Deferred capital receipts	32		33		57
Capital adjustment account	33		508,892		717,721
Revaluation reserve	33		124,482		52,889
Available-for-sale financial instruments reserve	33		240		306
Financial instruments adjustment account	33		(11,131)		(11,394)
Capital receipts reserve	33		4,818		1,788
Pensions reserve	33		(248,930)		(180,704)
Reserves:					
Revenue	33	4,105		3,647	
Capital	33	899		0	
			5,004		3,647
Balances:					
General fund	33	27,246		27,581	
Housing revenue account	33	1,492		917	
			28,738		28,498
TOTAL NET WORTH			412,146		612,808

CASH FLOW STATEMENT
for the year ended 31st March 2010

	2010		2009	
	£000	£000	£000	£000
REVENUE ACTIVITIES *				
Cash Outflows				
Cash paid to and on behalf of employees	180,015		173,457	
Housing benefit paid out	17,060		13,058	
Precepts paid	20,806		19,977	
		217,881		206,492
Cash Inflows				
Rents (after rebates)	(12,544)		(12,344)	
Council tax receipts	(57,037)		(55,544)	
Non-domestic rate receipts from the national pool	(40,438)		(39,371)	
Revenue support grant	(141,572)		(137,351)	
Department for Work and Pensions (DWP) grants	(41,666)		(33,866)	
Other government grants	(41,671)		(40,144)	
		(334,928)		(318,620)
		(117,047)		(112,128)
Other operating cash payments/(receipts)		96,223		121,103
		(20,824)		8,975
RETURNS ON INVESTMENTS & SERVICING OF FINANCE				
Cash Outflows				
Interest paid	9,875		9,968	
		9,875		9,968
Cash Inflows				
Interest received		(1,124)		(3,909)
		8,751		6,059
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets	31,268		34,553	
		31,268		34,553
Cash Inflows				
Sale of fixed assets	(3,641)		(3,585)	
Capital grants received	(17,937)		(33,189)	
		(21,578)		(36,774)
		9,690		(2,221)
NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING		(2,383)		12,813
MANAGEMENT OF LIQUID RESOURCES *				
Net increase/(decrease) in short term deposits	(2,900)		(17,800)	
Net increase/(decrease) in other liquid resources	1,914		(1,198)	
		(986)		(18,998)
FINANCING				
Cash Outflows				
Repayments of amounts borrowed	0		0	
		0		0
Cash Inflows				
New long term loans raised	0		0	
		0		0
		(986)		(18,998)
(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		(3,369)		(6,185)

* Restated 2008/09 figures in line with 2009 SORP requirements. 30

NOTES TO THE CORE FINANCIAL STATEMENTS
for the year ended 31st March 2010

1. INTEREST PAYABLE AND SIMILAR CHARGES

Gross external interest payments totalling £9,875k (£9,957k in 2008/09), together with debt remeasurement adjustments required under FRS 26, produce an aggregate net total of £9,871k (£10,001k in 2008/09). A recharge to the HRA of £1,596k (£1,689k in 2008/09) is made via the statement of movement on the general fund balance (as included on page 19).

	2010	2009
	£000	£000
External Interest		
Gross interest payable	9,875	9,957
Other Adjustments		
Debt remeasurement (FRS 26)	(4)	44
	9,871	10,001

2. INVESTMENT LOSSES

Impairment adjustments of £351k (net) (£548k in 2008/09) have been recognised under FRS 26.

	2010		2009	
	£000	£000	£000	£000
Impairment adjustments - forward investments		0		(27)
Impairment adjustments - Landsbanki	535		704	
Less interest receivable	(184)		(129)	
		351		575
		351		548

The 2009/10 adjustments relate to investments in the Icelandic bank Landsbanki, which collapsed in October 2008. The Council has £3,700k deposited with Landsbanki with varying maturity dates and interest rates :-

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

All monies are currently subject to the administration process - the amounts and timings of payments to depositors will be determined by the administrators. Information currently available indicates that recovery of 94.86% of the deposit value might be achieved; the Authority has recognised an impairment based on the estimated recovery as at 31st March 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

2. INVESTMENT LOSSES (continued)

The available information is not definitive as to the amounts and timings of payments to be made by the administrators, and it is likely that further adjustments will be made to the accounts in future years. However, the gross impairment adjustment for 2009/10 (£535k) recognised in the income and expenditure account has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are fully recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy priority creditor status which will be given by the Icelandic Courts. This decision is unlikely to be made before the second quarter of 2011
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling. Currently, these fluctuations are not expected to be material, although this may change in the future.

Failure to secure priority creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore, if priority creditor status is not achieved the recoverable amount may only be 29%.

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

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

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £351k has been transferred to the financial instruments adjustment account. The balance of £184k relates to interest which has been borne in full by the General Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

3. PENSIONS**Teachers:**

In 2009/10, the Council paid £7,313k to the Department for Children, Schools and Families in respect of teachers' pension costs (£7,214k in 2008/09), which represents 14.11% (average) of teachers' pensionable pay (14.09% in 2008/09).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £434k (£380k in 2008/09), representing 0.84% of pensionable pay (0.74% in 2008/09).

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

Other Employees:

The Council paid £66k to the Clwyd Pension Fund during 2009/10 in respect of interest on cash balances (£140k in 2008/09), and received £905k from the fund for benefits administration and other central support services (£859k in 2008/09).

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

Further information regarding the Clwyd Pension Fund accounts is provided on pages 69 to 77, and in the Clwyd Pension Fund Annual Report which is available upon request.

Transactions Relating to Retirement Benefits -

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

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

3. PENSIONS (continued)

	2010		2009	
	£000	£000	£000	£000
Income and Expenditure Account				
Net Cost of Services -				
Current service cost	8,705		12,945	
Past service cost	61		38	
Curtailments/settlements	1,726		746	
Net Operating Expenditure -		10,492		13,729
Interest cost	30,299		30,607	
Expected return on scheme assets	(17,024)		(21,202)	
		13,275		9,405
Net charge to income and expenditure account		23,767		23,134
 Statement of Movement on the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS 17		(23,767)		(23,134)
 Actual amount charged against the general fund balance for pensions in the year				
Employers' contributions payable to scheme		21,662		21,250

In addition to the recognised gains and losses included in the Income and Expenditure Account, there are actuarial losses of £66,121k (gains of £7,664k in 2008/09)

Assets and Liabilities in Relation to Retirement Benefits -

Reconciliation of present value of the scheme liabilities -

	2010	2009
	£000	£000
1st April	429,545	501,354
Current service cost	8,705	12,945
Interest cost	30,299	30,607
Contributions by scheme participants	4,996	4,732
Actuarial gains and losses	133,034	(104,007)
Benefits paid	(19,306)	(16,870)
Past service costs	61	38
Curtailments/settlements	1,726	746
31st March	589,060	429,545

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

3. PENSIONS (continued)

Reconciliation of fair value of the scheme assets -

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

The approach adopted in order to complete the FRS17 requirement is as outlined in the CIPFA publication 'Financial Reporting Standard 17 – Calculation Guide for Local Authorities'. The actuarial assumptions used have been agreed with the actuary (Mercer Human Resource Consulting Limited) in line with the guidance provided by CIPFA.

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

The actual return on scheme assets in the year was £83,937k (£74,833k [negative] in 2008/09).

Scheme History -

	2010	2009	2008	2007	2006*	2005*
			Restated	Restated		
	£000	£000	£000	£000	£000	£000
Present value of liabilities	(589,060)	(429,545)	(501,354)	(465,645)	(460,835)	(401,755)
Fair value of assets	340,130	248,841	314,562	317,008	293,235	229,154
Surplus/deficit in the scheme	<u>(248,930)</u>	<u>(180,704)</u>	<u>(186,792)</u>	<u>(148,637)</u>	<u>(167,600)</u>	<u>(172,601)</u>

* The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £249m has an impact on the net worth of the authority as recorded in the Balance Sheet, the overall balance being £412,146k.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

3. PENSIONS (continued)

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2011 is £19.3m.

Basis for Estimating Assets and Liabilities -

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 1st April 2007.

The principal assumptions used by the actuary are -

	2010	2009
Long term expected return on assets in the scheme		
Equity investments	7.5%	7.5%
Bonds	n/a	n/a
Other	7.5%	7.5%
Mortality Assumptions		
Longevity at 65 for current pensioners -		
Men	21.2 yrs.	21.2 yrs.
Women	24.1 yrs.	24.0 yrs.
Longevity at 65 for future pensioners -		
Men	22.2 yrs.	22.2 yrs.
Women	25.0 yrs.	25.0 yrs.
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	4.55%	4.55%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	5.6%	7.1%
Take up option to convert annual pension into retirement lump sum	50%	50%

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

	2010	2009
	%	%
Equity investments	58	52
Other bonds	12	12
Property	7	8
Cash/liquidity	0	1
Other assets	23	27
	<u>100</u>	<u>100</u>
36		

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

3. PENSIONS (continued)

History of Experience Gains and Losses -

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2010 :-

	2010	2009	2008	2007	2006	2005
			Restated	Restated		
		%	%	%	%	%
Differences between the expected and actual return on assets	19.67	(38.72)	(9.70)	0.64	15.04	3.18
Experience gains and losses on liabilities	0.00	0.00	1.68	0.00	(1.87)	0.86

4. COUNCIL TAX

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

Council tax is based on the valuation band into which a property has been placed. Charges are calculated by dividing the total annual income requirements of the Council and the North Wales Police Authority by the Council tax base. The tax base is the total of all the properties in each band adjusted by a proportion to convert the number to a band D equivalent, and also adjusted for discounts. The tax base for 2009/10 was 60,328 (60,340 in 2008/09), as calculated below :

	Band A*	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total	
Chargeable Dwellings												
Number of chargeable dwellings	-	3,736	8,594	19,274	11,735	9,677	6,465	2,966	569	219	63,235	
Dwellings with disabled reliefs	-	28	61	134	114	127	73	38	11	21	607	
Adjusted chargeable dwellings	28	3,769	8,667	19,254	11,748	9,623	6,430	2,939	579	198	63,235	
Adjusted Chargeable Dwellings												
Dwellings with no discounts	13	1,253	4,708	12,599	8,433	7,481	5,381	2,532	499	175	43,074	
Dwellings with one discount	15	2,516	3,954	6,647	3,303	2,136	1,043	400	63	19	20,096	
Dwellings with two discounts	0	0	5	8	12	6	6	7	17	4	65	
Discounted chargeable dwellings	28	3,769	8,667	19,254	11,748	9,623	6,430	2,939	579	198	63,235	
Discounted Chargeable Dwellings												
Total number of discounts	15	2,516	3,964	6,663	3,327	2,148	1,055	414	97	27	-	
Total discounted dwellings	24	3,140	7,676	17,588	10,916	9,086	6,166	2,836	555	191	-	
Ratio to band "D"	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	-	
Band "D" equivalent	13	2,093	5,970	15,634	10,916	11,105	8,907	4,726	1,110	446	60,921	
											Collection rate adjustment (at 1%)	(609)
											Exempt properties adjustment	16
											Council Tax Base 2009/10	60,328

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

4. COUNCIL TAX (continued)

The basic Flintshire charge for a band D property in 2009/10 was £850.78 (£823.60 in 2008/09). Council tax bills were based on the following multipliers for bands A* to I :-

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

Significant amongst the precepts levied on Flintshire County Council was that of the North Wales Police Authority in the sum of £11,792,917 (£11,234,101 in 2008/09). The 34 community/town councils also levied precepts amounting in total to £2,040,139 (£1,976,992 in 2008/09).

Analysis of the net proceeds from Council tax:

	2010	2009
	£000	£000
Council tax collected	65,550	62,916
Less - Increase in bad debts provision	12	165
Less - Amounts written off to provision	(411)	(180)
	<u>65,151</u>	<u>62,901</u>
Less - Payable to North Wales Police Authority	(11,793)	(11,234)
	<u>53,358</u>	<u>51,667</u>

5. NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2009/10 was 48.9p for all properties (46.6p in 2008/09). The Council is responsible for collecting the rates in its area, which are paid into the NDR pool administered by the Welsh Assembly Government. The 2009 SORP has introduced revised accounting requirements for this agency arrangement, with related changes to the balance sheet and cash flow statement.

The Welsh Assembly distributes NDR pool receipts to local authorities on the basis of a fixed amount per head of population. 2009/10 NDR income paid into the pool was £45,986,231 after relief and provisions (£50,102,605 in 2008/09), based on a year end rateable value total of £119,609,361 (£119,141,625 in 2008/09).

Analysis of the net proceeds from non-domestic rates:

	2010	2009
	£000	£000
Non-domestic rates collected	46,941	50,530
Less - Paid into NDR pool	(45,986)	(50,103)
Less - Cost of collection	(864)	(622)
Less - Increase in bad debts provision	(91)	195
	<u>0</u>	<u>0</u>
Receipts from pool	40,437	39,371
	<u>40,437</u>	<u>39,371</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

6. GOVERNMENT GRANTS – GENERAL

Welsh Assembly Government revenue grant funding of £143,293k (£139,074k in 2008/09) comprising of revenue support grant, and two unhypothecated grants - improvement agreement grant and deprivation grant.

	2010	2009
	£000	£000
Revenue support grant	141,572	137,352
Improvement agreement grant	1,496	1,497
Deprivation grant	225	225
	143,293	139,074

7. MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved represents the amount by which the income is greater than or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (ie UK GAAP) that a large (but unlisted) company would use in preparing its audited financial statements.

Further items of income and expenditure are required by statute and non-statutory proper practices (rather than in accordance with UK GAAP) to be credited or charged to the General Fund and must be taken into account in determining the budget requirement and in turn the Council Tax demand.

While the Income and Expenditure Account provides the best measure of the Council's financial result for the year in accordance with GAAP, the movement on the General Fund Balance is also an important aspect of the Council's stewardship.

8. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Authority to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2009/10 were as follows :-

	2010	2009
	£000	£000
Total minimum revenue provision	6,251	6,203
Recharge to housing revenue account	(591)	(610)
	5,660	5,593

9. RELATED PARTIES

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The County Council has substantial interests in an associated company (AD Waste Limited), and relevant transactions are disclosed in the notes to the group accounts on page 67.

Relevant transactions with members of the Council during 2009/10 amounted to £285k (£531k in 2008/09).

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

10. AUDIT FEES

Total audit and inspection fees due during the year amounted to £537k (£557k in 2008/09). External audit services were provided by PricewaterhouseCoopers LLP under the appointment of the Auditor General for Wales up until October 2009, since when the service has been provided by the newly appointed Wales Audit Office.

	2010	2009
	£000	£000
Fees payable to the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	298	325
Fees payable to the Auditor General for Wales in respect of statutory inspection	82	87
Fees payable to the Auditor General for Wales for the certification of grant claims and returns	157	145
	<u>537</u>	<u>557</u>

11. OFFICERS' REMUNERATION

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

Remuneration Band	2010		2009	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	3	4	9	9
£65,000 - £69,999	10	5	0	5
£70,000 - £74,999	4	4	0	2
£75,000 - £79,999	1	1	0	0
£80,000 - £84,999	4	0	2	1
£85,000 - £89,999	2	2	3	1
£90,000 - £94,999	2	0	0	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	1	0	1	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	1	0
	<u>29</u>	<u>16</u>	<u>16</u>	<u>18</u>

Information (including the 2008/09 comparatives) has been compiled on the basis of the requirements of the new Accounts and Audit Regulations, and the Local Authority Accounting Panel (LAAP) Bulletin 85 - Senior Officer Remuneration; the 2009/10 numbers include 'non-permanents' (interims / consultants).

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

11. OFFICERS' REMUNERATION (continued)

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

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

Post Title	Note	Pensionable Pay £	Expense Allowance £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contributions £	Total Remuneration Including Pension Contributions £
2009/10						
Chief Executive	1	136,855	160	137,015	30,519	167,534
Director of Community Services		89,132	160	89,292	19,876	109,168
Director of Environment		93,742	0	93,742	20,904	114,646
Director of Lifelong Learning		93,742	0	93,742	20,904	114,646
Head of Finance		81,960	160	82,120	18,277	100,397
Head of Legal and Democratic Services	2	83,049	0	83,049	18,520	101,569
		578,480	480	578,960	129,000	707,960
2008/09 (comparative information)						
Chief Executive	1	145,216	120	145,336	32,383	177,719
Director of Community Services		89,031	120	89,151	19,854	109,005
Director of Environment	3	44,884	0	44,884	10,009	54,893
Director of Lifelong Learning	4	46,617	0	46,617	10,395	57,012
Head of Finance		82,976	120	83,096	18,504	101,600
Head of Legal and Democratic Services	2	83,976	0	83,976	18,727	102,703
		492,700	360	493,060	109,872	602,932

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

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

Notes 3 & 4 : Commenced on 29th September 2008 and 22nd September 2008 respectively, each at an annualised salary of £89,132. Acting/interim arrangements prior to these appointments are not included in the analysis.

12. AGENCY SERVICES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

12. AGENCY SERVICES (continued)

Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £1,901k (£2,549k in 2008/09), which included an administrative allowance, and direct funding for the directorate's Technical Investigations Unit, which is located in the Agency's St. Asaph area office.

Income and expenditure relating to the Trunk Road Agency Agreement is incorporated in the income and expenditure account net cost of services total, including a surplus of £135k from the Technical Investigations Unit (£117k in 2008/09).

13. LEASING**Lessee Rentals**

In 2009/10, operating lease rental paid amounted to £2,041k (£2,065k in 2008/09). There were no finance lease rental payments.

Asset Classification	2010 £000	2009 £000
Land	17	47
Buildings	197	238
Vehicles, plant and equipment	1,827	1,780
	<u>2,041</u>	<u>2,065</u>

Operating lease rental commitments due in 2010/11 amount to £1,824k. Of this total, £572k will cease to be payable after 2010/11, and £1,175k will cease between 2011/12 and 2014/15, leaving £77k payable beyond 2015. There are no finance leases.

Year of Expiry	Land £000	Buildings £000	Vehicles, Plant Etc. £000	Total £000
2010-11	0	70	502	572
2011-12 to 2014-15	4	88	1,083	1,175
After 2015	13	42	22	77
	<u>17</u>	<u>200</u>	<u>1,607</u>	<u>1,824</u>

Lessor Rentals

In 2009/10, lease rentals receivable amounted to £2,323k (£2,261k in 2008/09). The net value of assets held for use amounted to £26,161k (£28,753k in 2008/09).

Operating Lease Assets	2010 £000	2009 £000
Gross book value	26,161	28,753
	<u>26,161</u>	<u>28,753</u>

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

14. MEMBERS' ALLOWANCES

Allowances totalling £1,361k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2009/10 (£1,352k in 2008/09).

	2010	2009
	£000	£000
Basic allowance	906	886
Special responsibility allowance	312	322
Care allowance	2	3
Employer's national insurance	103	103
Employer's superannuation	38	38
	<u>1,361</u>	<u>1,352</u>

The allowances paid fall into the following bands :-

	2010	2009
Allowance Band	Number of Members	Number of Members
£10,000 - £14,999	36	34
£15,000 - £19,999	9	13
£20,000 - £24,999	8	9
£25,000 - £29,999	9	5
£30,000 - £34,999	5	6
£35,000 - £39,999	2	2
£40,000 - £44,999	0	0
£45,000 - £49,999	0	1
£50,000 - £54,999	1	0
	<u>70</u>	<u>70</u>

15. TRADING OPERATIONS

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

	2010		2009	
	Turnover	(Surplus)/ Deficit	Turnover	(Surplus)/ Deficit
	£000	£000	£000	£000
Building maintenance	8,045	(81)	7,388	483
Environmental maintenance	877	88	4,124	550
Refuse collection	5,581	(210)	5,371	(173)
Highways maintenance	5,730	8	6,540	96
	<u>20,233</u>	<u>43</u>	<u>23,423</u>	<u>956</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

15. TRADING OPERATIONS (continued)

- The building maintenance surplus of £81k reflects a significant improvement on the 2008/09 deficit figure of £483k, and has been influenced by improvements in productivity from the retained workforce together with a reduced use of sub-contractors.
- The reduced turnover on environmental maintenance is due to the exclusion of grounds maintenance work previously undertaken in schools, which is no longer part of the trading operation.
- The improved refuse collection surplus of £210k reflects additional turnover on internal contracts arising from the expansion of recycling services, but has been partly offset by a slight reduction in income from trade waste customers.

16. NATIONAL HEALTH SERVICES (WALES) ACT 2006

During 2009/10, the Council entered into an agreement with Wrexham County Borough Council, Flintshire Local Health Board, Wrexham Local Health Board and North Wales NHS Trust (East), pursuant to Section 33 of the National Health Service (Wales) Act 2006, for the provision of an integrated community equipment service under a pooled fund arrangement. The service is provided through staff of Flintshire County Council (as host partner) from Unit 3, Hawarden Industrial Estate, Hawarden.

	2010	2009
Partnership	£000	£000
Gross expenditure	545	0
Gross income	(608)	0
(Surplus)/deficit for year	<u>(63)</u>	<u>0</u>
Contribution to Budget		
Flintshire County Council	236	0

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

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

17. INTANGIBLE ASSETS

	2010	Write-Offs	Additions	2009
	£000	£000	£000	£000
Software licences	6	(6)	0	12
	<u>6</u>	<u>(6)</u>	<u>0</u>	<u>12</u>

Intangible assets are amortised over a period of five years from the first full financial year following acquisition.

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

18. TANGIBLE FIXED ASSETS

Fixed assets are categorised as operational or non-operational –

Operational Assets

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1st April, 2009	411,984	457,429	29,050	182,587	8,901	1,089,951
Opening Adjustments	0	(587)	0	0	0	(587)
Additions	6,020	8,583	716	8,171	1,469	24,959
Expenditure adjustments*	(24,461)	(17,522)	0	0	0	(41,983)
Disposals	(479)	(555)	0	0	0	(1,034)
Reclassifications	0	(40)	0	0	0	(40)
Revaluations	5,676	23,464	0	0	0	29,140
At 31st March 2010	398,740	470,772	29,766	190,758	10,370	1,100,406
Depreciation and Impairments						
At 1st April, 2009	(25,569)	(40,770)	(19,283)	(32,379)	(1,048)	(119,049)
Opening Adjustments	0	15	0	0	0	15
Charge for 2009/10	(64,845)	(90,534)	(5,346)	(4,558)	(188)	(165,471)
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Revaluations	20,389	22,750	0	0	0	43,139
At 31st March 2010	(70,025)	(108,539)	(24,629)	(36,937)	(1,236)	(241,366)
Balance Sheet at 31st March 2010	328,715	362,233	5,137	153,821	9,134	859,040
Balance Sheet at 1st April 2009	386,415	416,659	9,767	150,208	7,853	970,902
Nature of Asset Holding						
Owned	328,715	362,233	5,137	153,821	9,134	859,040
Finance Lease	0	0	0	0	0	0
Private Finance Initiative	0	0	0	0	0	0
At 31st March 2010	328,715	362,233	5,137	153,821	9,134	859,040

* being cumulative expenditure replaced by revaluation adjustments

Operational Assets

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

18. TANGIBLE FIXED ASSETS (continued)

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

Non - Operational Assets

	Investment Properties	Assets Under Construction	Surplus Assets Held for Disposal	Agricultural Estate	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1st April, 2009	30,115	9,177	15,051	12,439	66,782
Opening Adjustments	0	0	81	0	81
Additions	69	1,865	0	49	1,983
Expenditure adjustments*	(1)	(10,812)	0	(371)	(11,184)
Disposals	0	0	(600)	0	(600)
Reclassifications	0	451	(414)	0	37
Revaluations	150	0	0	2,376	2,526
At 31st March 2010	30,333	681	14,118	14,493	59,625

Depreciation and Impairments

At 1st April, 2009	(1,325)	0	(614)	0	(1,939)
Opening Adjustments	0	0	493	0	493
Charge for 2009/10	(2,742)	0	(315)	0	(3,057)
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluations	0	0	0	0	0
At 31st March 2010	(4,067)	0	(436)	0	(4,503)

Balance Sheet at 31st March 2010	26,266	681	13,682	14,493	55,122
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Balance Sheet at 1st April 2009	28,790	9,177	14,437	12,439	64,843
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Nature of Asset Holding

Owned	26,266	681	13,682	14,493	55,122
Finance Lease	0	0	0	0	0
Private Finance Initiative	0	0	0	0	0
At 31st March 2010	26,266	681	13,682	14,493	55,122

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

18. TANGIBLE FIXED ASSETS (continued)

Non-Operational Assets

Non-operational assets are those held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples include land awaiting development, commercial property, investment property, surplus assets and the agricultural estate.

Fixed Asset Valuation

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, and the CIPFA Guide to Asset Registers. They are classified into various groupings as required by the 2009 Code of Practice on Local Authority Accounting, and the whole of the assets of the Authority must be revalued every five years. The last full asset revaluation was undertaken as at 1st April 2004, but with effect from 2007/08, a proportion of the total asset portfolio is revalued each year (20% in both 2007/08 and 2008/09, with the balance of 60% in 2009/10), although material changes to valuations are adjusted as they occur. The valuation process incorporates impairment reviews in compliance with FRS 11.

Council dwellings and garages have been valued on the basis of existing use value for social housing. Non-specialised operational assets have been valued on the basis of market value for their existing use, and in cases where there was no market value for a particular asset, depreciated replacement cost has been used. Other operational fixed assets (infrastructure and community assets) are valued on the basis of historic cost, and those properties regarded by the Authority as non-operational have been valued on the basis of open market value/net realisable value. Those assets included at current value have been valued by way of in-house and external valuers –

Operational Assets -

Council dwellings and garages	Nicola M. Hall MRICS of Valuation Office Agency Wales, Wrexham and Paula M. Blellock BSc (Hons) MRICS of Flintshire County Council
Residential homes	R.J. Oliver BSc MRICS of Allied Surveyors Commercial, Chester
Other operational land and buildings	Paula M. Blellock BSc (Hons) MRICS, John Allen FRICS, Lisa McLellan BSc (Hons) MRICS, Nick Adamson MRICS and Paul Brockley BSc all of Flintshire County Council

Non-Operational Assets

Investment property	Paula M. Blellock BSc (Hons) MRICS and Paul Brockley BSc of Flintshire County Council
Agricultural estate	JPN Major FRICS and RG Houlden MRICS of Strutt and Parker, Chester and TCA Bamford MRICS of Flintshire County Council
Land awaiting development	Paula M. Blellock BSc (Hons) MRICS and John Allen FRICS of Flintshire County Council

Straight line depreciation is provided for on all fixed assets with a finite useful life, other than for non-depreciable land and non-operational investment properties in accordance with FRS 15. The calculation is based on the 2009/10 opening balance sheet valuations, with assumed nil residual values for all fixed assets, and varying useful life values across the portfolio. Where the asset comprises of two or more major components with substantially different useful economic lives, each component has been accounted for separately.

Vehicles, plant, furniture and equipment are valued on the basis of historic cost at £5,137k, net of depreciation (£9,767k in 2008/09).

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

18. TANGIBLE FIXED ASSETS (continued)**Capital Financing**

	Supported Borrowing	Prudential Borrowing	Capital Receipts	Capital Grants & Contributions	Capital Reserves/CERA	Total
	£000	£000	£000	£000	£000	£000
Operational assets	6,614	409	157	17,107	978	25,265
Non-operational assets	1,111	0	49	516	0	1,676
Tangible fixed assets	<u>7,725</u>	<u>409</u>	<u>206</u>	<u>17,623</u>	<u>978</u>	<u>26,941</u>
REFCUS	34	0	7	4,028	57	4,126
2009/10 total	<u>7,759</u>	<u>409</u>	<u>213</u>	<u>21,651</u>	<u>1,035</u>	<u>31,067</u>

Being :-

Housing revenue account	0	0	0	5,238	782	6,020
General fund	7,759	409	213	16,413	253	25,047
2009/10 total	<u>7,759</u>	<u>409</u>	<u>213</u>	<u>21,651</u>	<u>1,035</u>	<u>31,067</u>

Future Commitments

At 31st March 2010, the Council's forward capital programme includes (amongst other indicative programme schemes), significant commitments in respect of school buildings repair and maintenance 'backlog' works (£13,500k) and school improvement works (£5,018k).

19. LONG TERM INVESTMENTS

Under FRS 26 arrangements, long term investments are now carried in the balance sheet at fair value. Further related information is included in note 34 on pages 48 – 52.

	2010	2009
	£000	£000
War stock	12	14
Shares	600	661
Building society deposits	0	6,448
	<u>612</u>	<u>7,123</u>

20. LONG TERM DEBTORS

	2010	2009
	£000	£000
Mortgages		
Former council house tenants	21	45
Private borrowers	0	1
	<u>21</u>	<u>46</u>
Assisted car purchase loans	240	196
Private street works	38	36
	<u>299</u>	<u>278</u>

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

21. STOCKS

	2010	2009
	£000	£000
Building maintenance	147	146
Highways maintenance	448	501
Fleet fuel	33	21
Grounds maintenance	20	16
Vehicle maintenance	40	44
Miscellaneous	343	482
	<u>1,031</u>	<u>1,210</u>

22. DEBTORS

	2010	2009
	£000	£000
Housing rents	1,154	1,068
Local taxation	2,858	2,618
Government departments *	2,115	2,731
Taxation	1,449	2,052
Mortgages	13	13
Payments made in advance	3,449	3,069
Benefit overpayments	1,150	983
Non-domestic rates agency *	8,210	1,695
Other debtors	12,640	12,337
	<u>33,038</u>	<u>26,566</u>
Less provision for impairment losses (note 31) *	(2,942)	(2,606)
	<u>30,096</u>	<u>23,960</u>

* Restated 2008/09 figures in line with 2009 SORP requirements.

23. TEMPORARY INVESTMENTS

The balance sheet total of £30,347k (£33,489 in 2008/09) includes investments of £3,700k deposited in Landsbanki (see also note 2 on page 24), which have been impaired to take account of the financial difficulties being experienced by Icelandic banks :-

Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount £000	Impairment £000
22/07/08	17/10/08	1,200	5.82	1,074	173
01/09/08	14/11/08	1,500	5.70	1,341	218
08/09/08	18/11/09	1,000	5.67	893	144
		<u>3,700</u>		<u>3,308</u>	<u>535</u>

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

23. TEMPORARY INVESTMENTS (continued)

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

Date	Amount £000
October 2011	778
October 2012	294
October 2013	278
October 2014	262
October 2015	248
October 2016	234
October 2017	221
October 2018	458
	<u>2,773</u>

24. CASH AND BANK

The cash and bank total includes two earmarked internal insurance fund account balances, being Flintshire insurance fund cash of £1,301k (£1,285k in 2008/09), and Clwyd fund cash of £25k (£26k in 2008/09).

25. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

The balance sheet total of £1,330k reflects the value of accrued interest on long term external borrowing (£1,329k in 2008/09).

26. CREDITORS

	2010 £000	£000	2009 £000	£000
Government departments	2,072		2,740	
Other creditors	24,588		25,313	
		26,660		28,053
Payments received in advance				
Housing rents	167		151	
Local taxation	737		717	
Other *	3,431		3,849	
		4,335		4,717
		<u>30,995</u>		<u>32,770</u>

* Restated 2008/09 figure in line with 2009 SORP requirements.

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

27. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

		2010	2009
		£000	£000
Balance Sheet Analysis			
External borrowing *		173,613	173,613
		<u>173,613</u>	<u>173,613</u>
	Interest Rates	2010	2009
External Borrowing Analysis	Minimum % Maximum %	£000	£000
By Type of Loan (Fixed Rate)			
Government (PWLB)	4.45 9.50	154,663	154,663
Other financial institutions	4.48 4.58	18,950	18,950
		<u>173,613</u>	<u>173,613</u>
By Maturity			
Between 2 and 5 years		1,500	1,500
Between 5 and 10 years		1,600	1,600
More than 10 years		170,513	170,513
		<u>173,613</u>	<u>173,613</u>

* Restated 2008/09 figure in line with 2009 SORP requirements.

28. DEFERRED LIABILITIES

A liability of £1,025k has been recognised (pending the transfer of AD Waste Limited to the Council and the disaggregation of its balance sheet) in respect of the environmental aftercare of former waste disposal sites, consequent to the transfer of AD Waste's landfill site licences and permits to the Council in September 2009.

29. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

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

	2010	2009
	£000	£000
Balance - beginning of year	10,229	7,373
Received during the year	18,328	28,405
Applied during the year (revenue expenditure funded from capital under statute)	(4,028)	(5,056)
Applied during the year (other assets)	(17,623)	(20,493)
Balance - end of year	<u>6,906</u>	<u>10,229</u>

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

30. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

Capital grants and contributions deferred are amounts applied to the financing of fixed assets, to be released to revenue to match depreciation on the relevant assets.

	2010	2009
	£000	£000
Balance - beginning of year	92,488	74,560
Applied during the year	17,623	20,493
Amortised to revenue	(3,011)	(2,565)
Balance - end of year	<u>107,100</u>	<u>92,488</u>

31. PROVISIONS

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total of £72k incorporates the following balances :-

	2010	Movement Out	Movement In	2009
	£000	£000	£000	£000
Claims (staff)	40	0	0	40
North Wales Safety Camera Partnership	32	0	1	31
	<u>72</u>	<u>0</u>	<u>1</u>	<u>71</u>

- The staff claims provision covers the anticipated costs of various staff claims against the Council; no immediate calls against the provision are expected.
- The North Wales Safety Camera Partnership provision provides cover for compensation to drivers who have been wrongly fined for speeding in a designated area when it was not correctly marked as a 30 m.p.h. zone. The timing and certainty of obligations depends entirely upon those motorists who haven't already submitted claims, proceeding to do so.

Provision for Impairment Losses

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

	2010	2009
	£000	£000
Housing rents	492	501
Council tax	954	967
Other debtors	1,496	1,138
	<u>2,942</u>	<u>2,606</u>

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

32. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses.

	2010	2009
	£000	£000
Council houses	33	57
	33	57

33. RESERVES

Details of movements on reserves are as follows –

	Capital Reserves				Financial Instruments		Pensions	Revenue Reserves			Total
	Reval'n Reserve	Capital Adjustm't Account	Usable Capital Receipts	Specific Reserves	Available- for-Sale Reserve	Adjustm't Account Reserve	Pensions Reserve	General Fund	Specific Reserves	HRA	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
At 31st March 2009	52,889	717,721	1,788	0	306	(11,394)	(180,704)	27,581	3,647	917	612,751
Gains/(losses)	74,805	(212,655)	3,641	899	(66)	263	(68,226)	244	458	575	(200,062)
Net transfers to/ from other reserves	(3,212)	3,826	(611)	0	0	0	0	(579)	0	0	(576)
At 31st March 2010	124,482	508,892	4,818	899	240	(11,131)	(248,930)	27,246	4,105	1,492	412,113

Capital Reserves

- The revaluation reserve records unrealised revaluation gains arising since 1st April 2007, from the holding of fixed assets. The reserve is matched by fixed assets within the balance sheet - the resources are not available for financing purposes.
- The capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. Again, the reserve is matched by fixed assets within the balance sheet, and the resources are not available for financing purposes.
- The usable capital receipts reserve contains receipts from the sale of assets which have yet to be used to finance capital or to repay debt.
- A specific reserve records the value of agreed (but unused) 2009/10 HRA revenue funding for capital expenditure purposes – the related programme expenditure has slipped into 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

33. RESERVES (continued)**Financial Instruments Reserves**

The SORP's requirements for financial instruments are similar to those for fixed assets, in that financial assets are required to be carried at fair value unless they have fixed or determinable payments but are not quoted in an active market.

Available-for-Sale Financial Instruments Reserve

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

Financial Instruments Adjustment Account

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 SORP and are required by statute to be met from the general fund. Again, the reserve is matched by borrowings and investments within the balance sheet, and the resources are not available for financing purposes.

Regulations issued in March 2009 allow the Council not to charge amounts relating to impaired investments to the general fund. Such amounts are instead transferred to the financial instruments adjustment account (FIAA), which records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations, and has transferred £926k (£351k in 2009/10 and £575k in 2008/09) to the FIAA. Under the regulations, the Council must transfer the balance on the FIAA to the general fund by no later than 31st March 2011, and must also credit the FIAA with interest earned until such time as the balance has been transferred to the general fund. The Authority estimates that the following credits will be made to the FIAA:

FIAA Balance 31st March 2010	Transfers 2010/11	Transfers 2011/12	FIAA Balance 31st March 2012
£000	£000	£000	£000
926	(926)	0	0

Pensions Reserve

The pensions reserve is an adjustment account that manages the effects of FRS17 charges made to the income and expenditure account against the statutory requirements for meeting the cost of retirement benefits from local taxes, as well as absorbing the impact of actuarial gains and losses; it balances exactly the pensions liability carried in the top half of the balance sheet.

The actuarial gains and losses identified as movements on the pensions reserve in 2009/10 are as detailed in note 3 on pages 26 to 30 :-

	2010 £000
Statement of Actuarial (Gains) and Losses -	
Asset (gain)/loss	(66,913)
Liability (gain)/loss	133,034
Net (Gain)/Loss	66,121

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

33. RESERVES (continued)

Revenue Reserves

- The general fund revenue reserves total (£27,246k) incorporates the net general fund surplus balance (£25,796k) and the surpluses generated by locally managed schools (£1,450k). The general fund balance includes unearmarked balances of £6,277k and earmarked balances of £19,519k. The schools balances are not available for general county purposes.
- Specific revenue reserves include those for supporting people, waste disposal, and insurance funds.
- The housing revenue account reserve surplus of £1,492k reflects the 2009/10 HRA surplus of £575k, as detailed on page 57.

Clwyd Theatr Cymru

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

It is managed under a scheme of delegation by which Flintshire County Council provides for the governance of the theatre and the discharge of all of the Council's functions, powers and duties in connection therewith. Under the scheme of delegation, the Council now delegates to and vests in its Chief Executive all of its functions, powers and duties in relation to the theatre. The Director of the theatre is responsible to the board of governors for ensuring that all departmental expenditure is kept within approved budgets. The Chief Executive is required to report to the Executive on the theatre's operations and finances, including the current surplus/deficit carry forward position and actions being taken to address this. In the year 2009/10 the theatre made an operating surplus of £1k (£4k deficit in 2008/09).

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

34. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2010	2009	2010	2009
	£000	£000	£000	£000
Financial liabilities at amortised cost	174,942	174,942	25,601	27,035
Total financial liabilities	174,942	174,942	25,601	27,035
Loans	0	0	30,347	33,489
Receivables	0	6,448	13,577	16,302
Available-for-sale financial assets	612	675	0	0
Total financial assets	612	7,123	43,924	49,791

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

34. FINANCIAL INSTRUMENTS (continued)

The balance sheet value of trade payables and other payables amounted to £25,601k (£27,035k in 2008/09) as disclosed above, and trade receivables amounted to £13,577k (£16,302k in 2008/09).

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

	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for- Sale Assets	
	£000	£000	£000	£000
Interest expense	(9,875)	0	0	(9,875)
Impairment losses	0	(351)	0	(351)
Interest payable and similar charges	(9,875)	(351)	0	(10,226)
Interest income	0	755	0	755
Interest and investment income	0	755	0	755
Gain on revaluation			4	
Deficit arising on revaluation of financial assets			4	
Net gain/(loss)for the year	(9,875)	404	4	

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The 2010 borrowing figure for Public Works Loans Board (PWLB) loans has been calculated by reference to the 'premature repayment' set of rates in force on 31st March 2010 (in line with the 2009 method).

The 2010 Lender Option Borrower Option loans (LOBOs) figure has been calculated in the same way as PWLB, less a 0.65% margin for the value of six monthly options to the lender; the 2009 borrowing figure was calculated by adding a premium of 50 basis points to the new loan rate. A fair value comparison as at 31st March 2009 would be £21,670k

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

The fair values are calculated as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

34. FINANCIAL INSTRUMENTS (continued)

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
PWLB	155,766	188,975	155,766	198,169
LOBOs	19,176	21,929	19,176	17,923
	<u>174,942</u>	<u>210,904</u>	<u>174,942</u>	<u>216,092</u>

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

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and Receivables				
War stock	12	12	14	14
Shares	600	600	661	661
Long term investments	0	0	6,448	6,448
	<u>612</u>	<u>612</u>	<u>7,123</u>	<u>7,123</u>

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

34. FINANCIAL INSTRUMENTS (continued)

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

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

Risk - Liabilities

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

- PWLB - All 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. There is an option in the Treasury Management Policy Statement to have 35% variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 10% of debt to reach maturity in any one year.
- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to 35% of long term borrowing.

Risk - Loans and Receivables

Long Term Investments -

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

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

34. FINANCIAL INSTRUMENTS (continued)

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

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

Bonds -

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

Shares -

The Council's shareholding relates to AD Waste Limited; there is a credit risk involved only if the company should become bankrupt.

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.

35. FOUNDATION SCHOOLS

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

36. RELATED COMPANIES

Related companies information is included within the notes to the group accounts on page 67.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

37. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The County Council administers 36 education trust funds, each consisting of relatively small sums of money received from individuals and invested in order to provide an annual income for prizes etc.. The total fund balance at 31st March 2010 was £283,059 (£284,061 in 2008/09), which is not reflected in the balance sheet.

The Council also administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2010 was £152,697 (£156,167 in 2008/09), and is not included in the balance sheet.

The Council is responsible for the management and maintenance of St. Margaret's Cemetery, Rhewl. This registered charity has three bank accounts with a total current value of £357 (£357 also in 2008/09). The bank accounts are not shown in the balance sheet.

Flintshire County Council acts as lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham. Income received from investments, net of central management expenses, is apportioned to each authority to be used to give grants which accord with the stated objectives. At 31st March 2010 the fund balance was £574,794 (£517,543 in 2008/09), Flintshire having an unused income balance of £413 (£193 in 2008/09). These figures are not reflected in the balance sheet.

38. THE EURO

Flintshire County Council continues to liaise with CIPFA, other Welsh local authorities, the Welsh Assembly Government and HM Treasury in identifying the potential impact of the introduction of the euro on its financial systems and service delivery. No related financial commitments have yet been made, and until a decision is made as to whether the UK should adopt the euro any associated expenditure is absorbed within existing budgetary provision.

39. CONTINGENT LIABILITY

The Council is currently reconsidering its legal position in relation to a number of equal pay claims registered in the Employment Tribunal as a result of judgments involving other authorities including Sheffield and Birmingham; it is too early to determine what that position is likely to be. There are a number of other claims against the Council, some of which are expected to proceed through the courts and tribunals, but adverse decisions are not anticipated at this stage.

40. CONTINGENT ASSET

The Council is pursuing, from HM Revenue and Customs, refunds of VAT overpaid and underclaimed following the House of Lords decisions in the cases of Fleming (trading as Bodycraft) and Conde Nast Publications Ltd. In 1996, the time limit for claiming overpaid VAT was reduced to three years; the absence of transitional arrangements was held in 2008 to breach Community law and the three year cap was disapplied. The individual claims relate to various periods between April 1973 and December 1996.

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

41. CASH FLOW STATEMENT

	2010		2009	
	£000	£000	£000	£000
Reconciliation of the Income and Expenditure Account to the Revenue Activities Net Cash Inflow				
(Surplus) / deficit for year		210,713		39,888
Add non-cash transactions:				
Depreciation and impairment	(218,692)		(45,530)	
Net gain on sales of fixed assets	648		0	
Transfers to reserves	4,306		6,667	
Other *	(16,779)		8,313	
		<u>(230,517)</u>		<u>(30,550)</u>
Increase / (Decrease) in revenue debtors *	6,136		4,064	
Increase / (Decrease) in stocks	(179)		82	
(Increase) / Decrease in revenue creditors *	1,775		1,333	
(Increase) / Decrease in provisions	(1)		217	
		<u>7,731</u>		<u>5,696</u>
Net interest paid		<u>(8,751)</u>		<u>(6,059)</u>
Net cash (inflow)/outflow from revenue activities		<u>(20,824)</u>		<u>8,975</u>
		2010	2009	Movement
		£000	£000	During Year
				£000
Reconciliation of Net Cash Flow to Movement in Net Debt				
Cash at bank/(overdrawn)		5,564	2,195	3,369
Temporary investments/ other liquid resources *		27,916	28,902	(986)
Long term borrowing		(173,613)	(173,613)	0
Net debt		<u>(140,133)</u>	<u>(142,516)</u>	<u>2,383</u>
Increase / (decrease) in cash in the year		3,369		
Cash (inflow)/outflow from borrowings		0		
Cash inflow/(outflow) from increase/(decrease) in liquid resources *		(986)		
Movement in net debt in the year		<u>2,383</u>		
Net debt as at 31st March 2008		<u>(142,516)</u>		
Net debt as at 31st March 2009		<u>(140,133)</u>		

Definition of Liquid Resources

Liquid resources have been defined as the temporary investments that are disclosed on the face of the balance sheet.

* Restated 2008/09 figures in line with 2009 SORP requirements.

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

	2010		2009	
	£000	£000	£000	£000
Analysis of Government Grants				
Arts Council		1,921		1,997
Arts & Kids		1		0
Basic Skills Agency		352		587
Care Council for Wales		0		35
Coed Cymru		7		0
Countryside Council		253		211
Film Agency Wales		7		0
Forestry Commission		1		12
Home Office		122		136
Prince's Trust		6		0
Sports Council for Wales		558		790
Welsh European Funding Office		7		112
Welsh Assembly Government:				
Communities First	747		802	
Concessionary Fares	1,895		1,839	
Deprivation	225		225	
Education, Support and Training / Other	18,479		17,594	
Local Transport Subsidy	540		539	
Improvement Agreement (Performance Incentive)	1,496		1,497	
Social Services Programme	3,936		3,768	
Substance Misuse	752		745	
Supporting People	5,641		5,099	
Sustainable Waste Management	2,815		2,382	
Miscellaneous	1,335		1,229	
		37,861		35,719
Youth Justice Board		575		545
		41,671		40,144

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st March 2010

	2010		2009	
	£000	£000	£000	£000
Income				
Dwelling rents (gross)	22,790		21,870	
Non-dwelling rents (gross)	277		267	
		<u>23,067</u>		<u>22,137</u>
Charges for services and facilities		609		577
Total income		<u>23,676</u>		<u>22,714</u>
Expenditure				
Management and maintenance (including repairs)		10,931		11,210
Rents, rates, taxes and other charges		1,377		1,129
Housing revenue account subsidy payable		6,448		6,466
Depreciation and impairment of fixed assets		88,764		12,858
Debt management expenses		11		9
Increase in bad debt provision		142		248
Total expenditure		<u>107,673</u>		<u>31,920</u>
Net cost of services as included in the whole authority Income and Expenditure Account		83,997		9,206
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		100		298
Net cost of HRA services		<u>84,097</u>		<u>9,504</u>
Interest payable and similar charges		1,596		1,689
HRA investment income		(15)		(81)
Total (surplus)/deficit for the year on HRA Services		<u>85,678</u>		<u>11,112</u>

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT
for the year ended 31st March 2010

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

	2010		2009	
	£000	£000	£000	£000
(Surplus) or deficit for the year on the HRA Income and Expenditure Account	85,678		11,112	
	<hr/>	85,678	<hr/>	11,112
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year				
Depreciation and impairment of fixed assets	(88,764)		(12,858)	
	<hr/>	(88,764)	<hr/>	(12,858)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year				
Amortisation of premiums and discounts	238		307	
HRA minimum revenue provision	591		610	
Capital expenditure funded from the HRA	1,682		1,340	
	<hr/>	2,511	<hr/>	2,257
(Surplus)/deficit on the Housing Revenue Account for the year		(575)		511
Housing Revenue Account balance brought forward		(917)		(1,428)
Balance carried forward - (surplus)/deficit *		<hr/>	<hr/>	<hr/>
		(1,492)		(917)

* The 2009/10 balance carried forward total includes a ringfenced surplus of £41k relating to the tenants' communal heating scheme (£26k surplus in 2008/09).

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

for the year ended 31st March 2010

1. LEGISLATION

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

2. HOUSING STOCK

The type and number of dwellings at 31st March 2010 were :-

Type	2010 No.	2009 No.
Houses	4,099	4,105
Flats	1,377	1,407
Maisonettes	198	198
Bungalows	1,796	1,806
	<u>7,470</u>	<u>7,516</u>

3. RENT ARREARS

Analysis of arrears	2010 £000	2009 £000
Rents		
Current tenants	737	774
Former tenants	255	161
	<u>992</u>	<u>935</u>
Provision for impairment losses	£000	£000
In respect of total arrears above	492	501
In respect of other housing revenue account debts	106	7

The rents total of £992k (£935k in 2008/09) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

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

4. FIXED ASSET ACCOUNTING**Capital Financing**

Housing revenue account capital expenditure of £6,020k (£7,998k in 2008/09) was financed as follows :-

	Capital Receipts	Capital Grants & Contributions	Revenue Contributions	Total
	£000	£000	£000	£000
Capital financing	0	5,238	782	6,020
	0	5,238	782	6,020

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,238k) is the 2009/10 MRA allocation figure of £5,200k (also £5,200k in 2008/09). This Welsh Assembly Government grant was fully used in 2009/10 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £1,494k (£2,052k in 2008/09) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	2010	2009
	£000	£000
Council dwellings	514	458
Mortgages	24	17
Land sales	956	1,577
	1,494	2,052

Depreciation

Straight line depreciation is provided for on all housing revenue account fixed assets with a finite useful life, other than for non-depreciable land. The charge of £5,219k (£5,237k in 2008/09) is based on the 2009/10 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values. The £5,211k was offset by government grants deferred of £660k (£526k in 2008/09).

	2010	2009
	£000	£000
Dwellings	5,200	5,200 (equating to the value of MRA)
Garages	0	26
Plant and equipment	11	11
	5,211	5,237

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

Impairment losses of £59,744k were accounted for in 2009/10 (£5,171k in 2008/09). There was no revenue expenditure funded from capital under statute in 2009/10, as also had been the case in 2008/09.

GROUP INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st March 2010

	Note	2010		2009	
		Gross		Net	Net
		Expenditure	Gross Income	Expenditure	Expenditure
	1	£000	£000	£000	£000
Adult social care		56,254	15,811	40,443	37,920
Central services to the public		3,344	1,754	1,590	1,666
Education and children's services		237,624	26,773	210,851	129,061
Court services		237	-	237	200
Cultural, environmental, regulatory and planning services	2	79,550	24,253	55,297	41,150
Highways and transport services		24,744	10,500	14,244	12,609
Housing services :					
Housing general fund		51,322	48,382	2,940	5,080
Housing revenue account (HRA)		107,773	23,676	84,097	9,504
Corporate and democratic core		1,603	16	1,587	2,606
Non distributed costs		1,362	-	1,362	625
Unallocated write down of plant and equipment costs		3,871	-	3,871	3,871
Net cost of services		567,684	151,165	416,519	244,292
Net gain on the disposal of fixed assets				(648)	-
Levying bodies				6,973	6,766
Major preceptor - North Wales Police Authority				11,793	11,234
Other preceptors - community councils				2,040	1,977
Trading services				-	207
Interest payable and similar charges				9,871	10,001
Investment losses				351	548
Interest and investment income				(760)	(3,161)
Pensions interest cost				30,299	30,607
Expected return on pensions assets				(17,024)	(21,202)
Taxation of group entities				32	(25)
Net expenditure before reserves movements				459,446	281,244
Council tax				(65,151)	(62,901)
Government grants - general				(143,293)	(139,074)
Distribution from non-domestic rate pool				(40,437)	(39,371)
(Surplus)/deficit for year				210,565	39,898

**RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR
TO THE GROUP SURPLUS OR DEFICIT**

for the year ended 31st March 2010

	2010	2009
	£000	£000
(Surplus) or deficit on the authority's single entity Income and Expenditure Account for the year	210,713	39,888
Add: (surplus) or deficit arising from subsidiaries	(148)	10
Group (surplus)/deficit for the year on the Income and Expenditure Account	210,565	39,898
Less: subsidiary dividend income and any other distributions included in the single entity surplus or deficit on the Income and Expenditure Account	(211,431)	(41,167)
Group Account (surplus) or deficit for the year	(866)	(1,269)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st March 2010

	2010	2009
	£000	£000
(Surplus)/deficit on the income and expenditure account for the year	210,565	39,898
(Surplus)/deficit arising on revaluation of fixed assets	(74,805)	(16,534)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets	5	(30)
Actuarial (gains) and losses on pension fund assets and liabilities	66,186	(7,666)
Balance sheet classification adjustments	-	(232)
Other (gains) and losses not reflected in the income and expenditure account	(1,433)	(263)
Total recognised (gains) and losses for the year	<u>200,518</u>	<u>15,173</u>

GROUP BALANCE SHEET
as at 31st March 2010

	Note	2010 £000	2009 £000
	1		
Fixed Assets			
Intangible assets			12
Tangible Fixed Assets			
Operational assets			
Council dwellings		328,715	386,415
Other land and buildings		362,233	416,659
Vehicles, plant, furniture and equipment		6,226	11,037
Infrastructure assets		154,250	150,665
Community assets		9,134	7,853
Non-operational assets		860,558	972,629
Investment properties		26,266	28,790
Assets under construction		681	9,177
Surplus assets held for disposal		13,682	14,437
Agricultural estate		14,493	12,439
		55,122	64,843
TOTAL FIXED ASSETS		915,686	1,037,484
Long term investments		12	6,462
Long term debtors		299	278
TOTAL LONG TERM ASSETS		915,997	1,044,224
Current Assets			
Stocks		1,033	1,212
Debtors (net of bad debts provision)		29,216	25,028
Temporary investments		30,347	33,489
Cash and bank		14,190	11,512
		74,786	71,241
Current Liabilities			
Borrowing repayable on demand or within 12 months		(1,330)	(1,329)
Cash overdrawn		(7,477)	(8,356)
Creditors		(31,537)	(34,272)
		(40,344)	(43,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		950,439	1,071,508
Borrowing repayable within a period in excess of 12 months		(173,613)	(173,613)
Deferred liabilities		(1,025)	-
Grants and contributions unapplied		(6,906)	(10,229)
Government grants deferred account		(107,100)	(92,488)
Provisions		(126)	(1,282)
Asset related to defined benefit pension schemes		340,130	248,841
Liability related to defined benefit pension schemes		(589,181)	(429,601)
		(249,051)	(180,760)
TOTAL ASSETS LESS LIABILITIES		412,618	613,136

GROUP BALANCE SHEET
as at 31st March 2010 (continued)

	Note	2010		2009	
		£000	£000	£000	£000
Deferred capital receipts			33		57
Capital adjustment account			508,537		717,366
Revaluation reserve			124,482		52,889
Available-for-sale financial instruments reserve			(5)		-
Financial instruments adjustment account			(11,131)		(11,394)
Capital receipts reserve			4,818		1,788
Pensions reserve			(248,930)		(180,704)
Reserves:					
Revenue		4,105		3,647	
Capital		899		-	
			5,004	-	3,647
Balances:					
Profit and loss reserve		28,018		28,270	
Capital redemption reserve		300		300	
Housing revenue account		1,492		917	
			29,810	29,487	
TOTAL NET WORTH			412,618	613,136	

GROUP CASH FLOW STATEMENT
for the year ended 31st March 2010

	2010		2009	
	£000	£000	£000	£000
NET CASH (INFLOW)/OUTFLOW FROM REVENUE ACTIVITIES		(21,048)		8,975
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest paid	9,905		10,014	
		9,905		10,014
Cash Inflows				
Interest received		(1,128)		(3,951)
		8,777		6,063
TAXATION		-		10
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Cash Outflows				
Purchase of fixed assets	31,278		34,909	
		31,278		34,909
Cash Inflows				
Sale of fixed assets	(3,641)		(3,585)	
Capital grants received	(17,937)		(33,189)	
		(21,578)		(36,774)
		9,700		(1,865)
NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING		(2,571)		13,183
MANAGEMENT OF LIQUID RESOURCES				
Net increase/(decrease) in short term deposits	(2,900)		(17,800)	
Net increase/(decrease) in other liquid term resources	1,914		(1,198)	
		(986)		(18,998)
FINANCING				
Cash Outflows				
Repayments of amounts borrowed	-		-	
		-		-
Cash Inflows				
New short term loans raised	-		-	
		-		-
		(986)		(18,998)
(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		(3,557)		(5,815)

NOTES TO THE GROUP CASH FLOW STATEMENT
for the year ended 31st March 2010

	2010		2009	
	£000	£000	£000	£000
Reconciliation of the Group Income and Expenditure Account to Revenue Cash Inflow				
(Surplus) / deficit for year		210,565		39,898
Add non-cash transactions:				
Depreciation and impairment	(218,937)		(45,976)	
Net gain on sales of fixed assets	648		-	
Transfers to reserves	4,306		6,667	
Other	<u>(16,858)</u>		<u>8,509</u>	
		(230,841)		(30,800)
Increase / (Decrease) in revenue debtors	5,976		3,915	
Increase / (Decrease) in stocks	(179)		82	
(Increase) / Decrease in revenue creditors	2,004		1,039	
(Increase) / Decrease in provisions	<u>178</u>		<u>900</u>	
		7,979		5,936
Net interest paid		<u>(8,751)</u>		<u>(6,059)</u>
Net cash (inflow)/outflow from revenue activities		<u>(21,048)</u>		<u>8,975</u>

NOTES TO THE GROUP ACCOUNTS
for the year ended 31st March 2010

1. SUBSIDIARY

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

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

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

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

AD Waste's profit and loss account indicates an operating profit on continuing operations of £227k (£7k loss in 2008/09), and a balance sheet net assets total of £1,072k (£989k in 2008/09).

Tangible fixed assets are valued at cost and recorded in the group balance sheet on this basis.

At 31st March 2010, the company owed the Council £102k (£134k in 2008/09), and was owed £788k by the Council.

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

2. INCOME AND EXPENDITURE

During the year the Council made payments of £6,686k (including VAT) to AD Waste Limited, chiefly in respect of tipping fees, landfill tax and management fees (£8,373k in 2008/09). Receipts from the company, chiefly in the form of royalties, dividends and pension fund contributions, amounted to £291k (£465k in 2008/09).

3. TRANSFER OF ACTIVITIES

On 29th October 2008 Flintshire County Council resolved to take the Company's activities in-house. Work is progressing on this and it is anticipated that the transfer will be completed in financial year 2010/11.

4. OTHER SUBSIDIARIES

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

NOTES TO THE GROUP ACCOUNTS

continued

5. JOINT ARRANGEMENTS THAT ARE NOT ENTITIES (JANES)

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

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

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

CLWYD PENSION FUND ACCOUNTS
for the year ended 31st March 2010

THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

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

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

The Clwyd Pension Fund operates a defined benefit scheme whereby retirement benefits are based on employees' final remuneration and length of service. The Fund was funded by variable percentage contributions from both employees and employers which take account of the relationship of assets to liabilities (see Actuarial Valuation on page 66). The benefits of the scheme are prescribed nationally by Regulations made under the Superannuation Act 1972.

The membership of the Fund as at 31st March 2010 is shown below:-

	2010	2009
	No.	No.
Contributors	15,073	14,554
Pensioners :		
Ex employees	7,395	7,087
Widows/dependants	1,425	1,420
Preserved benefits	5,969	4,961
Total membership	29,862	28,022

The scheduled bodies contributing to the Fund are :-

Counties : Flintshire, Denbighshire, Wrexham.
 Colleges : Glyndwr University, Deeside College, Llysfasi College, Welsh College of Horticulture, Yale College of Wrexham.
 Schools : The Maelor School Penley, Ysgol Derwen Kinnerton, St Brigid's School (Denbigh).
 Councils : Argoed, Coedpoeth, Connah's Quay, Hawarden, Rhosllanerchrugog, Buckley, Prestatyn, Offa, Mold, Caia Park, Rhyl, Shotton, Llanasa.
 Other: Yale Enterprise Ltd, North Wales Probation Board, North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are :-

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

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

CLWYD PENSION FUND ACCOUNTS STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING STANDARDS

The accounts have been prepared to meet the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (SORP), developed by CIPFA/LASAAC. This Code of Practice complies in principle with the main recommendations of the SORP 'Financial Reports of Pension Schemes', issued by Pensions Research Accountants Group (PRAG), with some revisions in the disclosure requirements. The Accounting Standards Board (ASB) has approved PRAG as an issuer of SORPs for pension schemes.

ACCOUNTING POLICIES

The accounts have been prepared on an accruals basis with the exception of transfer values.

The Pension Fund's financial statements provide information about the financial position and performance of the Fund. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. This is reported separately in the actuary's statement.

Investments are shown in the accounts at market value as at 31st March 2010 as detailed below :-

- UK and overseas listed securities are valued using the official bid prices quoted on the relevant stock exchange.
- Overseas securities are converted to sterling at an exchange rate quoted at close of business on 31st March 2010.
- Unit trusts are valued at the bid market price.
- Private equity is valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines, net of estimated carried interest.

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

ACTUARIAL VALUATION

The last actuarial valuation was held on 31st March 2007, the findings of which became effective on 1st April 2008. The findings of this valuation showed that the market value of the Fund's assets of £888.8m increased the funding level from the previous valuation on 31st March 2004 from 65% to 75%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over a 17 year period. If the deficiency is recovered over 17 years then the average contribution rate is 21.6% of pensionable pay, reverting to 12.5% of pensionable pay at the end of this period.

The contribution rates were calculated using the projected unit actuarial method and the principal financial assumptions were as follows:-

	For Past Service Liabilities	For Future Service Liabilities
Investment return-pre retirement	6.40 % p.a.	6.50 % p.a.
Investment return-post retirement	5.40 % p.a.	6.50 % p.a.
Pensionable pay increases	4.35 % p.a.	4.00 % p.a.
Pension increases	3.10 % p.a.	2.75 % p.a.

CLWYD PENSION FUND ACCOUNTS
for the year ended 31st March 2010

		2010		2009	
	Note	£000	£000	£000	£000
Contributions and Benefits					
Contributions receivable :					
From employers	1	50,713		49,602	
From employees or members	1	14,915		14,458	
Transfers in		6,774		4,073	
Other income		2,571		2,472	
		<u>74,973</u>		<u>70,605</u>	
Benefits payable :					
Pensions	1	37,637		34,931	
Lump sums (retirement)	1	10,618		7,288	
Lump sums (death grants)	1	897		1,163	
Payments to and on account of leavers :					
Refunds of contributions		18		1	
Transfers out (individual)		4,869		1,735	
Other		179		77	
Administrative and other expenses borne by the scheme	2	1,280		1,128	
			<u>55,498</u>	<u>46,323</u>	
NET ADDITIONS (WITHDRAWALS) FROM DEALING WITH MEMBERS			<u>19,475</u>	<u>24,282</u>	
Returns on Investments					
Investment income	4	6,909		7,815	
Change in market value of investments (realised and unrealised)	4	237,409		(228,725)	
Investment management expenses	2	(5,109)		(4,461)	
NET RETURNS ON INVESTMENT			<u>239,209</u>	<u>(225,371)</u>	
NET (DECREASE)/INCREASE IN THE FUND			<u>258,684</u>	<u>(201,089)</u>	
OPENING NET ASSETS OF THE SCHEME			697,412	898,501	
CLOSING NET ASSETS OF THE SCHEME			<u>956,096</u>	<u>697,412</u>	
Net Assets Statement					
Investment Assets :					
Managed fixed interest fund	5		111,825	88,246	
Managed equity funds			556,765	367,263	
Property funds			63,927	55,126	
Private equity funds			121,803	102,075	
Hedge fund of funds			52,121	34,848	
Commodity funds			14,847	11,119	
Currency fund			28,400	29,440	
Cash (including derivatives)	6		2,944	4,062	
Other investment assets	8		0	2,002	
Current assets	7		4,380	3,708	
Current liabilities	7		(916)	(477)	
NET ASSETS AT 31ST MARCH			<u>956,096</u>	<u>697,412</u>	

NOTES TO THE CLWYD PENSION FUND ACCOUNTS
for the year ended 31st March 2010

1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

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

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

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

	Benefits Payable	Contributions Receivable
Scheduled Bodies -	£000	£000
Flintshire County Council	16,107	22,498
Wrexham County Borough Council	15,098	20,424
Denbighshire County Council	11,456	14,835
Fund apportionment with :		
Gwynedd and Powys County Councils	2,565	0
Probation	1,267	1,582
Fire	443	1,091
Colleges	1,461	3,899
Schools	49	180
Community Councils	169	191
Others - scheduled bodies	69	73
Others - admitted bodies	468	855
	<u>49,152</u>	<u>65,628</u>

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

2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS
continued

2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES (continued)

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

	2010	2009
	£000	£000
Investment management fees	5,109	4,461
Administration	1,280	1,128
	6,389	5,589

Investment management fees are based on valuations of the investments. The Fund is invested in pooled vehicles of which the majority of fees are charged within the Funds. In order to be transparent, the Fund discloses these fees. Previously, the Fund has reported these fees net of any rebates. The figure for 2010 is now shown gross of any rebates which have increased the fees by £787k. For comparative purposes, the rebated fees not disclosed in 2009/10, amounted to £1,024k which would have resulted in a total investment management fee of £5,485k.

3. INVESTMENTS AND PERFORMANCE

Further details on the investment strategy are available in the Statement of Investment Principles which can be obtained from the Head of Finance, County Hall, Mold, CH7 6NA (or Telephone 01352 702264).

The County Council uses the investment performance services of the WM Company. Their report for the financial year 2009/10 showed that the Fund achieved an overall return of 33.3% from its investments (-23.0% in 2008/09). This compares with the benchmark return of 27.0% for the year.

4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

Details of the 2009/10 investment transactions and the net profit on sales of £7.537m, together with investment income of £6.909m are shown below. The unrealised profit for 2009/10 as a result of the change in the market value of investments, amounted to £229.872m (£228.489m loss in 2008/09). Therefore the increase in market value of investments (realised and unrealised) is £237.409m.

	Purchases	Sales	Net Profit/ Loss on Sales	Investment Income
	£000	£000	£000	£000
Fixed interest	226	0	(74)	0
UK equities	20,170	0	0	0
Foreign equities	635	27,998	10,748	241
Hedge fund of funds	42,590	30,709	(3,827)	0
Currency fund	0	3,000	256	0
Commodity fund	0	0	0	0
Property funds	6,308	214	0	1,689
Private equity funds	19,033	2,870	425	356
Miscellaneous Income	0	0	0	3,663
Interest Earned	0	0	0	960
Currency	0	0	9	0
	88,962	64,791	7,537	6,909
2008/09	98,236	43,448	(236)	7,815

NOTES TO THE CLWYD PENSION FUND ACCOUNTS
continued

5. MARKET VALUE OF INVESTMENTS (EXCLUDING CASH AND DERIVATIVES)

The book cost of the investments is £886.116m as at 31st March 2010, compared with book cost of £856.417m in the previous year. The market value of investments (excluding cash and derivatives) as at 31st March 2010 is £949.688m which can be analysed below.

By Listed and Unlisted (Investments at Market Value)

Although the Fixed Interest and the Foreign Equity Funds are unlisted, the underlying investments of the funds are listed.

	2010			2009		
	Listed Managed £000	Listed £000	Unlisted £000	Listed Managed £000	Listed £000	Unlisted £000
Fixed Interest	0	0	111,825	0	0	88,246
UK equities	132,966	0	108,480	80,421	0	51,690
Hedge fund of funds	0	0	52,121	0	0	34,848
Currency fund	0	0	28,400	0	0	29,440
Commodity fund	0	0	14,847	0	0	11,119
Foreign equities	271,065	0	44,254	205,268	0	29,884
Property funds	38,783	2,130	23,014	34,536	990	19,600
Private equity funds	0	7,309	114,494	0	6,977	95,098
	<u>442,814</u>	<u>9,439</u>	<u>497,435</u>	<u>320,225</u>	<u>7,967</u>	<u>359,925</u>

By Continent

	2010 £000	2009 £000
UK	331,769	208,785
Europe	113,850	92,187
Asia Pacific	75,486	54,914
North America	88,273	67,348
Emerging markets	44,545	33,373
Global Investments	295,765	231,510
	<u>949,688</u>	<u>688,117</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS
continued

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

By UK Holdings

The UK holdings as at 31st March 2010 account for 35% of total investments at market value and are classified as follows :-

	2010	2009
	£000	£000
Managed funds	108,731	52,509
Private equity funds	49,410	41,148
Property funds	40,913	35,526
Resources	20,185	15,387
Basic industrials	17,893	8,093
General industrials	13,416	10,326
Cyclicals	8,251	6,395
Non-cyclicals	37,776	22,768
Utilities	1,894	1,867
Financials	31,845	13,152
Information technology	1,455	1,614
	<u>331,769</u>	<u>208,785</u>

By Fund Manager

	2010		2009	
	£000	%	£000	%
Fidelity	31,568	3	23,269	3
Barclays Global Investors	77,737	8	66,283	10
Gottex	108,480	11	51,690	8
Wellington	59,392	6	44,492	6
Aberdeen	43,918	5	31,645	5
T Rowe Price	52,399	5	36,756	5
TT International	20,898	2	13,942	2
BlackRock (Quellos)	10,108	1	16,442	2
Pioneer	5,501	1	18,406	3
Liongate	18,050	2	0	0
SSARIS	18,462	2	0	0
Goldman Sachs	28,400	3	29,440	4
Standard Life	132,966	14	80,421	12
Investec	44,254	5	29,884	4
Stone Harbor	111,825	12	88,246	13
Property & Private Equity Funds	185,730	20	157,201	23
	<u>949,688</u>	<u>100</u>	<u>688,117</u>	<u>100</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

6. ANALYSIS OF CASH BALANCE

The cash balance can be analysed as follows :-

	2010	2009
	£000	£000
Fund manager balances	491	472
In-house balance	2,453	3,590
	2,944	4,062

7. DEBTORS/CREDITORS

	2010		2009	
	£000	£000	£000	£000
Current Assets :				
Admitted bodies	3,248		3,486	
Added years	191		106	
H.M. Revenue and Customs	59		70	
Strain - current year	378		0	
Strain - subsequent years	471		0	
Miscellaneous	33		46	
		4,380		3,708
Less Current Liabilities :				
Miscellaneous	0		477	
		0		477
Net Current Assets		4,380		3,231

Prior to 2009/10, any strain costs relating to years other than the current financial year have not been accrued for. For comparison purposes, the amount outstanding for subsequent years was £294k.

8. OTHER INVESTMENTS

	2010		2009	
	£000	£000	£000	£000
Other Investment Assets :				
Sales of investments	0		2,000	
Income accrual	0		2	
		0		2,002
Other Investment Balances		0		2,002

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

9. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2010. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

10. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

Contributions paid	£ 423,534
Units purchased	No. 77,501
Units sold	No. 89,098
Market value as at 31st March 2010	£ 3,456,797
Market value as at 31st March 2009	£ 3,209,227

11. RELATED PARTY TRANSACTIONS

In the course of fulfilling its role as administering authority to the Fund, Flintshire County Council provided services to the Fund for which it charged £904,671 (£858,847 in 2008/09). These costs are in respect of those staff employed in ensuring the pension service is delivered, and other costs such as payroll and information technology. The costs are included in the accounts within administration expenses (see note 2). There are no amounts outstanding between Flintshire County Council and Clwyd Pension Fund as at 31st March 2010.

12. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2010, the Fund has contractual commitments of £336.6m in private equity and property funds, of which £208.9m has been invested, leaving an outstanding commitment of £127.6m.

13. TRANSACTION COSTS

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

FLINTSHIRE COUNTY COUNCIL

AGENDA ITEM NUMBER: 4

REPORT TO: **AUDIT COMMITTEE**
DATE : **12 JULY 2010**
REPORT BY: **HEAD OF FINANCE**
SUBJECT : **THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS)**

1.00 PURPOSE OF REPORT

- 1.01 To provide Members with a progress update in respect of the move towards preparing the statutory Statement of Accounts on an IFRS basis, with effect from 2010/11.

2.00 BACKGROUND

- 2.01 The significant issues and requirements associated with the implementation of IFRS were reported to Audit Committee on 28th September 2009.
- 2.02 At the time of the September report, there were concerns throughout local government that the move to IFRS could potentially impact on council tax and housing rents, particularly in respect of the provision to be made for leave entitlement and flexi-time earned but untaken at the balance sheet date; mitigation measures always seemed likely (through the Welsh Assembly Government bringing forward regulations), but were not guaranteed.

3.00 CONSIDERATIONS

- 3.01 The September report made reference to the significant challenge for the whole of local government in preparing for the move to IFRS within the defined timescales, impacting on both finance and non-finance staff. In order to ensure momentum in progressing the IFRS project, an additional dedicated staffing resource has been seconded into the Corporate and Capital Accounting team within the Finance Department, on a one day per week basis, through until December 2010.
- 3.02 Although IFRS is not being implemented in full until 2010/11, the need to include comparative information for 2009/10 in the first IFRS-based statement of accounts means that the opening (transition) balance sheet figures at 1st April 2009, had to be restated. The transition balance sheet has now been completed and presented to External Audit for their consideration - this represents a key milestone in the IFRS implementation process. The transition balance sheet incorporates information collected from across all directorates/departments, with significant input from the valuation team within the Environment directorate.

Date: 06/07/2010

3.03 The mitigation measures as referred to in Section 2.02 have now been confirmed by way of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2010, which were laid before the National Assembly for Wales on 10th March 2010. The measures provide assurance that the Council will not need to make provision in the revenue budgets for the value of leave entitlement and flexi-time earned but untaken at the balance sheet date, as a consequence of the move to IFRS.

3.04 Work now continues in preparing the IFRS restated 2009/10 accounts, which feeds from the information incorporated to the 2009/10 accounts; the 2009/10 accounts are currently in the process of being audited.

4.00 RECOMMENDATIONS

4.01 That the report be noted.

5.00 FINANCIAL IMPLICATIONS

5.01 The cost of the secondment as referred to in Section 3.01 is covered from within existing budgetary provision .

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 The secondment on a one day per week basis through until December 2010, as referred to in Section 3.01.

10.00 CONSULTATION REQUIRED

10.01 Ongoing communication across all directorates, and discussion with external audit.

11.00 CONSULTATION UNDERTAKEN

11.01 Ongoing communication across all directorates, and discussion with external audit.

12.00 APPENDICES

12.01 None.

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

IFRS Code of Practice on Local Authority Accounting, and various IFRS related papers

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