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Gareth Owens LL.B Barrister/Bargyfreithiwr
Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a Democraataidd



To: Cllr Alison Halford (Chair)

CS/NG

Councillors: Glyn Banks, Haydn Bateman,
Alan Diskin, Richard Jones, Ian Roberts and
Arnold Woolley

9 July 2012

Paul Williams

Sharon Thomas 01352 702324
sharon.b.thomas@flintshire.gov.uk

Dear Sir / Madam

A meeting of the **AUDIT COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **TUESDAY, 17TH JULY, 2012** at **10.00 AM** to consider the following items.

Please note: For Agenda Item No. 8, Members are requested to bring along to the meeting their copies of reports on Final Reports & Performance Indicators and Operational Audit Plan & Recommendation Tracking (Agenda Item Nos. 11 and 12) from the previous meeting on 25 June 2012. This is to enable comparison between the old and suggested new report formats.

Yours faithfully

Democracy & Governance Manager

AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATION)**

County Hall, Mold. CH7 6NA
Tel. 01352 702400 DX 708591 Mold 4
www.flintshire.gov.uk
Neuadd y Sir, Yr Wyddgrug. CH7 6NR
Ffôn 01352 702400 DX 708591 Mold 4
www.siryfflint.gov.uk

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

- 3 **MINUTES** (Pages 1 - 14)
To confirm as a correct record the minutes of the meeting held on 25 June 2012 (copy enclosed).
- 4 **DRAFT STATEMENT OF ACCOUNTS 2011/12** (Pages 15 - 138)
Report of Head of Finance
- 5 **ANNUAL GOVERNANCE STATEMENT** (Pages 139 - 144)
Report of Head of Finance and Head of Legal and Democratic Services
- 6 **STATUTORY GUIDANCE ON THE LOCAL GOVERNMENT (WALES) MEASURE 2011** (Pages 145 - 152)
Report of Head of Legal and Democratic Services
- 7 **WAO REGULATORY PROGRAMME** (Pages 153 - 172)
Report of Head of Finance
- 8 **REPORT FORMAT** (Pages 173 - 210)
Report of Head of Finance

MEETING OF AUDIT COMMITTEE **25 JUNE 2012**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in County Hall, Mold on Monday, 25 June 2012

PRESENT:

Councillors: G.S. Banks, G.H. Bateman, A.G. Diskin, A.M. Halford, R.B. Jones, I.B. Roberts and A. Woolley

Lay Member: Mr. P.D. Williams

ALSO PRESENT: Councillors J.B. Attridge, M. Bateman and N.M. Matthews

APOLOGY: Head of Finance

IN ATTENDANCE: Head of Legal & Democratic Services, Democracy & Governance Manager, Internal Audit Manager, Corporate Finance Manager and Committee Officer

Chief Executive (minute numbers 1-8)

Policy, Performance & Partnerships Manager (minute number 8)

Clwyd Pension Fund Manager (minute number 9)

Mr. Patrick Green of RSM Tenon Plc

Ms. Amanda Hughes and Mr. John Herniman of Wales Audit Office

1. APPOINTMENT OF CHAIR

The Democracy & Governance Manager explained that the Chair could not be appointed from any political group with a place in the Cabinet.

Nominations were sought for a Chair for the Committee. A nomination for Councillor A.M. Halford was duly seconded and on being put to the vote, this was unanimously carried.

In thanking the Committee for its support, Councillor Halford reiterated the unanimous praise of the former Chairman, Councillor I.B. Roberts, which had been expressed by all Members at the last meeting of the Committee. She welcomed new and former Members to the Committee and said that she hoped to do as good a job as the former Chairman in allowing Members to seek the information they requested and to work as a team.

RESOLVED:

That Councillor A.M. Halford be appointed Chair of the Audit Committee.

2. APPOINTMENT OF VICE-CHAIR

The Chair sought nominations for a Vice-Chair for the Committee. A nomination for Mr. P.D. Williams was duly seconded and on being put to the vote, this was unanimously carried.

RESOLVED:

That Mr. P.D. Williams be appointed Vice-Chair of the Audit Committee.

3. DECLARATIONS OF INTEREST

Councillor G.S. Banks declared a personal and prejudicial interest in the following agenda item:

12 - Operational Audit Plan and Recommendation Tracking - in relation to the report on Procurement on page 167 as the company he worked for could be affected.

4. MINUTES

The minutes of the meeting of the Committee held on 26 March 2012 were submitted.

Matters Arising

In response to a question by the Chair on the Galw Gofal Regional Telecare service, the Chief Executive reported that positive feedback had been given at a recent meeting in Flintshire with the Service Manager and that a later presentation would be made to all Council Members.

The Chief Executive responded to a question from Councillor G.H. Bateman on minute 67 and updated on major repair allowances.

RESOLVED:

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

5. APPOINTMENT OF A LAY MEMBER TO THE AUDIT COMMITTEE

The Democracy & Governance Manager introduced a report on the background to the appointment of a lay member to the Audit Committee.

It was explained that the appointment panel had been chaired by the former Chairman of the Audit Committee, Councillor I.B. Roberts, assisted by the Head of Legal & Democratic Services and Head of Finance. The subsequent recommendation to appoint Mr Paul Williams had been agreed by County Council on 19 June 2012.

The Chair felt that the Audit Committee would benefit greatly from the skills of Mr Williams, and Councillor Roberts added that the decision of the panel had been unanimous.

RESOLVED:

That the background to the appointment of the lay member to the Audit Committee be noted.

6. CERTIFICATION OF GRANT CLAIMS AND RETURNS 2010/11

The Corporate Finance Manager introduced a report on the grant claim certification for the year ended 31 March 2011. The Wales Audit Office (WAO) report on this had been attached as an appendix to the report.

Ms. A. Hughes of WAO advised that the Council had submitted a total of 29 claims for 2010/11, including eight which had been qualified, which equated to the 2009/10 Welsh average for one in four claims being qualified. On the timely receipt of claims, it was recognised that some legislative delays had been caused by the Welsh Government (WG) which had been outside the control of Authorities.

There were ongoing concerns that many claims had not been supported by grant completion checklists, despite a recommendation made in the 2009/10 report, and that the consequent work affected the WAO fee. The Corporate Finance Manager said that attempts to address this had resulted in the introduction of more stringent procedures to ensure that grant claims could not be signed off without an accompanying checklist.

Councillor R.B. Jones suggested that this could be incorporated in personal development plans and Mr. Williams asked if Internal Audit could review. The Chief Executive agreed on involvement by Internal Audit and indicated that he and the Head of Finance had receive personal reports on how the new procedures were working and suggested that the Committee be updated at an appropriate date to allow the procedures to be embedded. The Corporate Finance Manager suggested that the update could be brought in late September 2012 following the claim returns.

In response to queries by Councillor A. Woolley, Ms. Hughes said that the claim period was for the 2010/11 financial year and noted the slight discrepancy in figures quoted in the report as a result of the net adjustment on the eight qualified certificates.

RESOLVED:

- (a) That the content of the Grant Claim Certification for 2010/11 be noted; and
- (b) That an update report be brought to the first Audit Committee meeting following the September claim returns.

7. REPORT ON INTERNAL AUDIT (WAO)

The Internal Audit Manager introduced a report on the outcome of the Wales Audit Office (WAO) annual assessment of Internal Audit. On the recruitment drive and the filling of two vacancies, he advised that alternative options would be explored since one of the candidates had withdrawn.

Ms. A. Hughes of WAO explained the background to the annual assessment of Internal Audit in accordance with the eleven Code of Practice standards of the Chartered Institute of Public Finance Accountancy (CIPFA). She confirmed the view taken by WAO that for 2011/12 Internal Audit had complied fully with eight of the standards, partially complied with two and had not met one, resulting in five recommendations as set out in the report. She added that the issues raised had not been significant enough to affect the WAO view on the work on Internal Audit.

Following Members' concerns on the third recommendation relating to adequate resources, the Internal Audit Manager assured the Committee that a plan would be in place to deal with the unfilled vacancy. Councillor G.H. Bateman asked about levels of staffing and was informed that the restructure of Internal Audit had concentrated on staff at senior auditor level and that only one post was currently vacant.

The Chair referred to paragraph 23 of the report which indicated that the Committee needed to satisfy itself on the impact of lost work. Ms. Hughes explained that following consultation with Directorate management teams, the Internal Audit Manager was responsible for assessing the removal of issues from the Audit Plan to be re-introduced in the following year's Plan for consideration if the work was deemed to be still valid. She had discussed with the Internal Audit Manager the delays arising from this and felt that the Committee should have knowledge of such items.

Mr. P. Green of RSM Tenon assured Members that nothing was lost but suggested that a report providing information on deferred work and intended actions could be brought to the Committee to demonstrate transparency in the process.

The Internal Audit Manager said that revised plans were brought to the Committee for approval and that during the previous year, 22 audits had been deferred following planning meetings with management teams. Fourteen audits had appeared in this year's plan with the remaining items deemed as not urgent and therefore removed.

Mr. P. Williams felt that the Committee should be provided with a report on the deferred items and associated risk profile, together with fundamental risk areas and action plans detailing the reasons and process going forward. He also questioned whether the Internal Audit Manager was satisfied he had sufficient resources. In responding, the Internal Audit Manager replied that there were sufficient resources to carry out the audits, including some regulatory and systems

work whilst concentrating on risk work, and that many of the deferred items related to advisory work.

On the fifth recommendation, Mr. Williams sought detail on the suggested independent quality assurance review to be undertaken by RSM Tenon. The Chair suggested that she and the Vice-Chair discuss separately with the Internal Audit Manager to enable her to report back to the Committee. Mr. Green explained that this would consist of RSM Tenon's technical division sending a team to look at the Council's compliance with auditing standards and that this could be undertaken in the next quarter.

Mr. J. Herniman of WAO said it was not the case that items deferred from the plan were forgotten and hoped that the Audit training would assist with the first recommendation on the development of the Committee, suggesting that Members may wish to reflect on this at a later date.

On the fourth recommendation, Councillor A. Woolley said that the need to provide training to ensure that regular staff appraisals were undertaken had been previously identified by Overview & Scrutiny, with a target date of March 2009. The Chair pointed out that a later report on the agenda indicated that the appraisals policy had not been updated since 2005. Councillor R.B. Jones said that training and development needs should be incorporated in the personal development plans of managers to ensure that staff appraisals were undertaken.

The Internal Audit Manager explained that appraisals had lapsed due to the department undergoing a restructure as part of the Finance Function Review and would recommence once the review was complete. He and other officers had attended refresher appraisal training in preparation for this.

The Chief Executive commented that the structure was fit for purpose. He proposed that he and the Head of Finance meet with the Internal Audit Manager to discuss the resources issue and the variation of the Audit Plan and share the outcome with the Chair and Vice-Chair. A report be submitted to the meeting in September 2012 on items deferred from the Plan.

RESOLVED:

That the report be noted.

8. RISK MANAGEMENT UPDATE

The Policy, Performance & Partnerships Manager introduced a report on the corporate management of risk and to assure Members of the arrangements in place for business continuity.

She advised that the updated Risk Management Strategy would be presented to the Committee in September 2012 and gave information on the recent Risk Maturity review. A copy of the draft Strategic Assessment of Risk and Challenges (SARC) showing Red, Amber, Green (RAG) status was shared and it was noted that this was currently being updated for 2011/12 with copies to be

made available in Members' rooms. An update on business continuity referred to the testing of plans on severe winter weather, localised flooding and industrial action, resulting in lessons learned.

Following a question by the Chair, the Policy, Performance & Partnerships Manager gave details on the 'Coldfeet' exercise on the Council's response to the severe winter weather conditions to ensure no disruption to key services.

Councillor I.B. Roberts expressed concerns about the number of 'Amber' risk levels shown on the SARC document, suggesting that these would be better displayed as Amber to Green or Amber to Red to demonstrate whether the issue was showing improvement or not. He also said that a number of Amber levels which were not expected to turn to Green for some time would be better categorised as Red.

The Chief Executive said that on the testing of plans for business continuity on flooding, whilst the Council's response had been good, a need for improved communication had been identified which also reflected on partner organisations. Responding to comments on the SARC, he disagreed that Amber levels were being used as a "safe option" under the Improvement Priorities on a twin RAG status - against the current position and confidence in achieving the outcome - was being used. For example, issues such as affordable housing and social care for older people would remain Amber due to the changing demographic pressures over and above our Council performance.

Councillor R.B. Jones pointed out that predictions on RAG status provided some assurance that an action plan was in place and also said that Improvement Priorities were regularly considered in detail by the Corporate Resources Overview & Scrutiny Committee. He remarked that the SARC document did not indicate any evidence of document control with issue date, which was noted, and questioned how items could be put on the SARC. On business continuity, he stressed the importance of preparing action plans and the impact on other issues if these were not followed.

The Policy, Performance & Partnerships Manager said that the process of SARC RAG status had taken some time to reach a consistent view and that each risk had a detailed action plan which was reviewed quarterly via performance reports and documented twice a year. The Amber level was a live status reflecting the current position and likelihood of achieving Green or Red and all risks were driven through the service planning process and included in Directorate Plans. She advised that progress on the Risk Management Strategy had been made with confidence in achieving outcomes and suggested a possible review on this could take place at a later date.

Councillor G.S. Banks asked if a sliding 1-5 scale could be used instead of RAG. Councillor Roberts referred to the previous ratings for waste management and Streetscene, suggesting that a 4 point scale may be better in omitting the middle 'Amber' position. Councillor Jones displayed a risk analysis matrix which he said was used extensively in the private sector and demonstrated that RAG was the accepted standard of measuring risk.

Mr. J. Herniman of WAO said that RAG was the accepted principle and that the background to the RAG status may give confidence on actions. Ms. Hughes mentioned that some other Councils used up or down arrows to indicate movement of issues since the previous quarter.

The Chief Executive said that the RAG status system could be refined. In response to comments on business continuity, he explained differences in command and response between national, regional or localised emergencies.

RESOLVED:

- (a) That the corporate approach to risk management be endorsed; and
- (b) That Members gained assurance from the business continuity arrangements in place.

9. TREASURY MANAGEMENT ANNUAL REPORT 2011/12 AND 2012/13 UPDATE

The Clwyd Pension Fund Manager introduced the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2011/12 and provided an update on Treasury Management activity in 2012/13 to the end of April 2012.

He outlined the background and key considerations of the report and summarised the conclusions of the Annual Report. On the Treasury Management Policy and Strategy Statement 2012/13, it was reported that as a result of the amber rating on credit risk, the approach being taken by the Council was to limit deposits to a maximum of three months. An update on Landsbanki reported that the first distribution had been made to priority creditors, including Flintshire, since the winding up of the bank and that a final distribution was awaited.

The Clwyd Pension Fund Manager referred to an investment at the current rate of 2.65% and had discussed with the Head of Finance the potential to place £4M with the same bank at an increased rate of 3% for a period of slightly less than 12 months. He explained that whilst this was at odds with the current approach on investments referred to earlier, he considered this to be an exception for good reason. He had recommended this to the Head of Finance who would be responsible for deciding whether to proceed and wished to share this with Members.

Councillor I.B. Roberts asked if the proposal was in compliance with the policy set out and agreed by Council and the Clwyd Pension Fund Manager replied that this was the case and that if it was outside the policy then approval would need to be sought from full Council.

Concern was raised by Mr. P. Williams on the possibility for the Committee to be asked to sanction investments and suggested that the proposal be noted. The Head of Legal & Democratic Services said that the County Council was

responsible for setting the Treasury Management policy and that the role of Audit Committee was to oversee and monitor the Council's investment portfolio following the Landsbanki situation, therefore the Head of Finance was correct in referring the matter back to the Audit Committee. The Chair suggested that she and the Vice-Chair discuss the issue with the Head of Finance.

Councillor R.B. Jones asked about the effect of the downgrading of some major banks and the current lower level of inflation. The Clwyd Pension Fund Manager spoke about the reduction in the number of counterparties currently meeting criteria in the Council's policy and said that in the event of a bank being downgraded, that investment may be taken out and placed in a money market fund at a slightly lower rate. On the second point, there would be no impact other than the return achieved. Councillor Jones' comment about appendices not being marked was noted.

Following a query by Councillor G.H. Bateman, the Clwyd Pension Fund Manager gave clarification on the phased transfer of the treasury management function to the Corporate Finance division as part of the Finance Function Review.

In response to earlier discussion on the recommended investment, Councillor Roberts proposed that in view of the fact that the policy had been set and approved by County Council, officers should be able to operate within that policy and proceed if they felt the investment was appropriate. This was seconded and on being put to the vote, was carried unanimously.

RESOLVED:

- (a) That matters on the draft Treasury Management Annual Report 2011/12 be drawn to the attention of Cabinet on 10 July 2012;
- (b) That the update on early Treasury Management activity in 2012/13 up to the end of April 2012 be noted; and
- (c) That the Audit Committee confirm the accepted Treasury Management Policy agreed by County Council and for officers to decide investments within that policy, with any variation to the policy being subject to County Council decision.

10. FINAL REPORTS AND PERFORMANCE INDICATORS

The Internal Audit Manager introduced a report to advise of final reports issued since the last Audit Committee meeting and of Directorates and Internal Audit's performance for responses against target.

On Procurement, Mr. P. Williams referred to the use of Equifax to confirm the financial viability of suppliers and asked how the Council would proceed if any adverse data was flagged up. The Internal Audit Manager agreed to follow this up and provide a written response. Councillor I.B. Roberts referred to a case where a contract had to be re-let due to the preferred contractor getting into difficulties and

said that this situation could have been avoided if it had been flagged up by Equifax.

Councillor R.B. Jones pointed out that many of the implementation dates had passed and it was explained that when this point was reached, recommendation tracking commenced.

On Traffic Management, Members asked if a review was required to ensure that there were sufficient resources. The Internal Audit Manager said that the recommendations in the report were intended to introduce improvements to the service and would be tracked. Mr. Williams was concerned at the implementation date in April 2013 and felt that the Audit Committee should be informed of key risks identified together with action plans. The Head of Legal & Democratic Services explained that the new Cabinet would be determining its own priorities on services and that if the Audit Committee had any concerns on risks, a recommendation could be made to the Cabinet for these to be considered. The Internal Audit Manager agreed to check with Streetscene and report back on the reason for the implementation date and that he would prepare a note and meet with the Chair, Vice-Chair and Legal officers to discuss the latter query.

On the format of reports received, Mr. P. Green of RSM Tenon said that the approach was to reduce paperwork by providing a summary of the report together with the action plan to show monitoring and that if the Committee wished for further details this could be passed back. Members were consulted on this and agreed to receive reports in their current format. The Chair said that this could be reviewed at a later date if required.

On Performance Indicators, the Internal Audit Manager gave an overview and reported that the outstanding report FD0080R1 on financial systems listed on Appendix C had now been received. He added that during the Audit Committee training, Members had been asked to consider what they wished to see in the content of these reports.

Councillor Jones felt that indicating the number of target days on reports was not beneficial and that showing the quality of output from each department was an improved method of measurement. Councillor A. Woolley shared concerns on how activity was translated into outcomes.

Mr. Green said that Members' points would be taken on board and consideration would be given to Performance Indicators with a report back to the Committee.

RESOLVED:

- (a) That the report be noted;
- (b) That the current format and detail of Final Reports to Audit Committee continue;

- (c) That a report be made to a future meeting with suggested new Performance Indicators; and
- (d) That the Internal Audit Manager prepare a note for the Chair and Vice-Chair and meet with them and Legal on whether to inform Cabinet of risks arising from implementation date of April 2013 relating to Traffic Management.

11. OPERATIONAL AUDIT PLAN AND RECOMMENDATION TRACKING

The Internal Audit Manager introduced a report to inform Members of progress against the operational plans for 2011/12 and 2012/13.

The Internal Audit Manager explained that as part of recommendation tracking, managers were consulted to check that actions had been completed within the agreed timescale. If actions remained uncompleted at that time, a subsequent implementation date was set.

The Democracy & Governance Manager suggested that the report for which an interest had been declared by Councillor G.S. Banks could be discussed first whilst he was not present and that he would be invited back for discussion on the remainder of the report. Councillor Banks was not present whilst the procurement report was considered.

On the Procurement Action Plan, Councillor R.B. Jones asked for clarification on a revised implementation date and the Internal Audit Manager explained that the action had been completed ahead of the original target date.

Following earlier comments made by the Chair on the need to revisit employee appraisals, the Internal Audit Manager confirmed that tracking of the action set out in the recommendation.

Mr. P. Green of RSM Tenon asked if Members wished to give consideration to future content of the Audit Report Follow-up and Action Plans, suggesting that this could be reported by numerical tracking and listing exception items to enable the Committee to concentrate on those which had gone beyond the target date. The Democracy & Governance Manager shared this view and said there was a danger of issues being missed if there was too much paperwork. Councillor I.B. Roberts agreed with this suggestion.

Councillor Jones asked for clarification on the content of future reports and following a suggestion made by the Chair, it was agreed that the Internal Audit Manager would provide a sample of the new format to compare with the old format to the next meeting of the Committee in July 2012. If this was then agreed by the Committee, the new format would be used for reporting to the September 2012 meeting. The Democracy & Governance Manager added that if Members required more detail on a particular issue, this could be made available by Internal Audit.

On the column entitled Management Comment/Progress, Mr. P. Williams asked if Internal Audit measured outcomes. The Internal Audit Manager replied that these were management assurances on actions taken. Follow-up audits were

completed for some areas, but not all. Mr. Williams suggested that the Internal Audit Manager could incorporate a few lines into future reports detailing his main concerns for the Committee to focus on.

Following a question by Councillor Jones on the Risk Management Action Plan, the Head of Legal & Democratic Services confirmed that Service Plans were available but said there was no consistency to the documenting of operational risk registers across the Authority to show how risks were being managed. The Corporate Management Team had considered options and the agreed template would be used as per the recommendation. The Internal Audit Manager pointed out that an example of the operational risk template was shown in Appendix 1 to the Risk Management report.

In response to a query by Councillor Jones on the need for action plans to be more specific and include details of the responsible officer, the Internal Audit Manager said that this information could be included if Members wished, however this was also stated on the final report. On the reference in the report to Contract Procedure Rules (CPR) not being detailed, it was explained that an initial delay had been caused by CPR being reviewed nationally and that Flintshire CPR were due to be updated by 1 October 2012.

On the use of consultants action plan, Councillor Jones sought clarification on the 'interim control mechanism for the engagement of consultants' agreed at CMT and the Thomson Classification system for the use of suppliers.

The Head of Legal & Democratic Services explained that a process was in place for engaging consultants, signed off by Heads of Services, which was controlled centrally by the Head of ICT & Customer Services to ensure that the use of consultants was documented and used appropriately. Councillor Roberts raised concern at the lack of Member involvement at the signing off stage and suggested that this should be the relevant Cabinet Member. The Head of Legal & Democratic Services suggested that Member involvement at a specified financial level may be more appropriate.

The Chair stressed the requirement to ensure that there was a clear remit for what consultants were expected to deliver. Councillor Roberts remarked that the use of consultants had previously been considered by the Committee and suggested Cabinet Member approval for contracts above a specified limit. He also felt that success criteria should apply and to take into consideration any extensions beyond the set date of the appointment.

The Head of Legal & Democratic Services spoke about the usefulness of consultants which could be cost-effective to the organisation, and that the issue here was about the control of their use. He said that if Members wished to pursue the suggestion for Member involvement, the Audit Committee could recommend that Cabinet Members consider the financial level at which they wished to be involved in the engagement of consultants. Members agreed that officers could raise this with Cabinet and report back to the Audit Committee.

RESOLVED:

- (a) That the report be noted;
- (b) That a report be made to the July 2012 meeting with a draft new format for consideration;
- (c) That the Audit Committee recommend that Cabinet consider the level it wishes to be involved in the use of consultants; and
- (d) That a report be made back to the Audit Committee including more detail on the constraints for the appointment and on the remit and monitoring of consultants to help give assurance that proper procedures are in place.

12. INVESTIGATIONS PROGRESS REPORT

The Internal Audit Manager introduced a report to outline ongoing proactive counter fraud work and reactive investigative work.

Members requiring more detail on any of the investigations were asked to liaise with the Internal Audit Manager.

RESOLVED:

That the report be noted.

13. INTERNAL AUDIT ANNUAL REPORT

The Internal Audit Manager introduced a report on the outcome of all audit work carried out during 2011/12 and to give the annual Internal Audit opinion on the standard of internal control, risk management and governance within the Council.

RESOLVED:

That the report be noted.

14. DURATION OF MEETING

The meeting commenced at 2.00pm and finished at 5.25pm.

15. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There was one member of the press in attendance.

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Chair

SUMMARY OF DECLARATIONS MADE BY MEMBERS
IN ACCORDANCE WITH FLINTSHIRE COUNTY COUNCIL'S
CODE OF CONDUCT

AUDIT COMMITTEE	DATE: 25 JUNE 2012
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MEMBER	ITEM	MIN. NO. REFERS
Cllr G.S. Banks	Operational Audit Plan and Recommendation Tracking	11

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 17 JULY 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **DRAFT STATEMENT OF ACCOUNTS 2011/12**

1.00 PURPOSE OF REPORT

1.01 To present the Statement of Accounts 2011/12 (subject to audit) for Members' information only at this stage.

2.00 BACKGROUND

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

3.00 CONSIDERATIONS

Audit Requirements

3.01 The audit must be completed and the Statement of Accounts approved and published by no later than 30th September 2012. 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 25th September 2012, and recommended to Council on the afternoon of the same day.

3.02 Arrangements will be made for Members to attend drop in sessions over the summer period (subject to discussion at Audit Committee), in order to obtain any further required information regarding the draft accounts, or to raise questions prior to consideration of the final position at the end of September.

Accounting Policies

3.03 The Flintshire County Council accounts have been prepared in accordance with the requirements of the 2011/12 Code of Practice on Local Authority Accounting - Based on International Financial Reporting Standards (IFRS).

- 3.04 The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the 2011/12 Code of Practice, which complies in principle with the main recommendations of 'Financial Reports of Pension Schemes' issued by the Pensions Research Accountants Group (PRAG), with some revisions in the disclosure requirements.
- 3.05 The 2011/12 Code has prompted some changes in the accounting policies of the Council, including those relating to the carbon reduction commitment scheme, component accounting and heritage assets. There have been no changes in the adopted estimation techniques and no material and unusual charges or credits are included within the accounts.

Information Included in the Statement of Accounts

- 3.06 The statements included are :-
- The core financial statements comprising of – the movement in reserves statement, the comprehensive income and expenditure statement, balance sheet and cash flow statement.
 - The supplementary financial statements – the housing revenue account income and expenditure statement.
 - The pension fund accounts.

Annual Governance Statement

- 3.07 The draft accounts also include the Annual Governance Statement which explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010. A separate report on this agenda provides more detail.

4.00 RECOMMENDATIONS

- 4.01 Members are requested to note -
- (a) the draft Statement of Accounts 2011/12 (including the Annual Governance Statement), together with the underlying policies.
- (b) the planned provision of drop in sessions over the summer period, subject to Members' consideration at Audit Committee.

5.00 FINANCIAL IMPLICATIONS

- 5.01 As set out in the report.

6.00 ANTI POVERTY IMPACT

- 6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Statement of Accounts 2011/12

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

None

Contact Officer: Ian Llewelyn Jones
Telephone: 01352 702207
Email: ian_ll_jones@flintshire.gov.uk

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STATEMENT OF ACCOUNTS

DATGANIAD CYFRIFON

2011-12



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EXPLANATORY FOREWORD

The Statement of Accounts 2011/12 provides details of the Council's financial position for the year ended 31st March 2012. The information presented on pages 6 to 74 is in accordance with the requirements of the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements included are :-

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

EXPLANATORY FOREWORD

continued

- The supplementary financial statements comprising of –
 - **the housing revenue account income and expenditure statement** – The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

The pension fund accounts are presented in accordance with required guidance, on pages 75 to 102.

REVENUE BUDGET AND OVERALL FINANCIAL POSITION

Planning the budget for 2011/12 was a significant challenge with 2011/12 the first in a series of financial years when local government spending in Wales was set to reduce in real terms. The Local Government Revenue Support Grant – the main grant received from Welsh Government – decreased by 1.7% from its previous level which, combined with the impact of no provision for inflation and other funding changes, meant that the Council's overall funding reduced by £5.4m in 2011/12; this figure together with those costs required to meet growth in demand in some services (and other budget pressures), created a total budget gap of £10.5m for 2011/12. The Council's approach in addressing such was twofold; firstly, to maximise efficiencies through changing the organisation and the way it works, and secondly, to reform some of the key services that are provided for the public.

Total net expenditure for 2011/12 amounted to £238,663k against a budget of £241,372k.

	2011/12 Budget	2011/12 Actual	Variance	2010/11 Actual
	£000	£000	£000	£000
Net expenditure on services	227,398	224,851	(2,547)	227,193
Central loans and investment account	13,974	13,812	(162)	13,712
Total net expenditure	241,372	238,663	(2,709)	240,905
Financed by				
Council tax (net of community council precepts expenditure)	54,940	55,066	(126)	53,079
General grants	151,229	151,229	0	146,458
Non-domestic rates redistribution	35,203	35,203	0	42,236
Total resources	241,372	241,498	(126)	241,773
Net variance - (underspend)	0	(2,835)	(2,835)	(868)

The net underspend of £2,709k, increased to £2,835k by way of increased Council tax income (£126k). The £2,835k, has served with other agreed funding transfers of £2,815k to produce a year-end Council fund revenue reserves total of £39,761k, which incorporates a Council fund balance element of £37,103k.

EXPLANATORY FOREWORD

continued

REVENUE BUDGET AND OVERALL FINANCIAL POSITION (continued)

	Net			2011 £000
	2012 £000	Underspend £000	Other £000	
Unearmarked balances	6,468	2,835	(2,329)	5,962
Earmarked balances	30,635	0	4,460	26,175
Council fund balance	37,103	2,835	2,131	32,137
Locally managed schools (not available for general purposes)	2,658	0	684	1,974
Total council fund revenue reserves	39,761	2,835	2,815	34,111

ASSETS ACQUIRED AND LIABILITIES INCURRED

Significant capital programme expenditure was incurred during the year in progressing the amalgamation of Custom House Junior and Dee Road Infants School, Connah's Quay (£3,988k); related works will continue through until scheme completion in 2012/13. A substantial part of the overall funding of the scheme is to be provided by way of Welsh Government 21st Century Schools Grant.

The Phases 2 and 3 re-development works at Deeside Leisure have resulted in the inclusion of additional finance leased assets on the Council's balance sheet to the value of £5,035k. The investment has provided new facilities including a fitness suite, toning room, spa, and extreme zone within the arena, together with a refurbished reception area and cafeteria.

PENSIONS

Disclosures are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability. The liability recorded in the balance sheet (£240,834k) is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance.

BORROWING FACILITIES

No new long term Public Works Loan Board (PWLB) or financial institution borrowing was undertaken during 2011/12 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total (£172,410k) includes the sum of £297k relating to two interest free loans from Salix Finance Ltd. - an independent company funded by the Carbon Trust to help improve energy efficiency in public sector buildings - repayable over the period 2012/13 to 2018/19.

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, other borrowing, capital receipts, capital grants and contributions, reserves and revenue account funding.

EXPLANATORY FOREWORD

continued

SOURCES OF CAPITAL FINANCING (continued)

	2012	2011
	£000	£000
Supported borrowing	5,788	7,773
Other borrowing (including Salix loans)	1,812	757
Capital receipts	2,618	217
Capital grants and contributions	23,898	17,783
Capital reserves/capital expenditure funded from revenue account	3,875	3,296
Total financing	<u>37,991</u>	<u>29,826</u>

In addition to these core capital financing sources, finance lease arrangements to the value of £5,035k were entered into during 2011/12 in respect of refurbishment works at Deeside Leisure Centre (£451k in 2010/11).

REVALUATION OF ASSETS

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2011/12 (the second year of the new cycle, commencing 1st April 2010), approximately 20% of non-dwelling assets were revalued, together with the whole of the housing stock. A full impairment review of land values within the schools portfolio was also undertaken, as detailed within the Statement of Accounting Policies on page 12. The overall impact of the 2011/12 revaluation process was a net decrease in the value of non-current property assets recorded in the balance sheet (from £859,163k to £817,877k).

Date of Authorisation of Accounts

The 2011/12 Statement of Accounts was authorised for issue on xxth September 2012 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 :

**Ann Minshull JP
Chair to the County Council**

Dated :

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

The Head of Finance has also :-

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

The following statement of accounts has been prepared in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. The statement of accounts presents a true and fair view of the financial position of the Authority at 31st March 2012, 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 2012 and the amount and disposition at that date of its assets and liabilities.

Signed : *K. A. Feather*

**Kerry Feather CPFA
Head of Finance**

Dated : 30 June 2012

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2012

Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	
At 31st March 2011	6,227	9,144	34,111	4,690	1,614	55,786	462,231	518,017	
Surplus/(deficit) on the provision of services	0	0	(52,140)	0	(20,349)	(72,489)	0	(72,489)	
Other comprehensive income and expenditure	0	0	0	0	0	0	(29,143)	(29,143)	
Total comprehensive income and expenditure	0	0	(52,140)	0	(20,349)	(72,489)	(29,143)	(101,632)	
Adjustments between accounting and funding basis under regulations	10	(153)	(5,959)	54,975	(457)	20,625	69,031	(69,031)	0
Net increase/(decrease) before transfer to earmarked reserves	(153)	(5,959)	2,835	(457)	276	(3,458)	(98,174)	(101,632)	
Transfers to/(from) earmarked reserves	0	0	2,815	438	0	3,253	0	3,253	
Increase/(decrease) in year	(153)	(5,959)	5,650	(19)	276	(205)	(98,174)	(98,379)	
At 31st March 2012	6,074	3,185	39,761	4,671	1,890	55,581	364,057	419,638	

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

MOVEMENT IN RESERVES STATEMENT
continued

	Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2010		4,818	6,906	27,246	5,004	1,492	45,466	431,920	477,386
Surplus/(deficit) on the provision of services		0	0	21,010	0	(4,598)	16,412	0	16,412
Other comprehensive income and expenditure		0	0	0	0	0	0	18,095	18,095
Total comprehensive income and expenditure		0	0	21,010	0	(4,598)	16,412	18,095	34,507
Adjustments between accounting and funding basis under regulations	10	1,409	2,238	(20,142)	(441)	4,720	(12,216)	12,216	0
Net increase/(decrease) before transfer to earmarked reserves		1,409	2,238	868	(441)	122	4,196	30,311	34,507
Transfers to/(from) earmarked reserves		0	0	5,997	127	0	6,124	0	6,124
Increase/(decrease) in year		1,409	2,238	6,865	(314)	122	10,320	30,311	40,631
At 31st March 2011		6,227	9,144	34,111	4,690	1,614	55,786	462,231	518,017

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2012

	2012			2011			
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Service Expenditure Analysis							
Adult social care		53,195	10,570	42,625	58,969	16,921	42,048
Central services to the public		2,287	1,011	1,276	2,953	1,569	1,384
Education and children's services		180,147	23,883	156,264	158,369	24,768	133,601
Cultural, environmental, regulatory and planning services *		0	0	0	64,734	24,364	40,370
Cultural and related services		23,768	11,873	11,895	0	0	0
Environmental and regulatory services		22,258	4,065	18,193	0	0	0
Planning services		10,179	6,225	3,954	0	0	0
Highways and transport services		26,392	7,526	18,866	27,094	8,677	18,417
Housing services :							
Housing - Council fund		68,082	60,822	7,260	54,840	49,658	5,182
Housing revenue account (HRA)		43,625	25,212	18,413	26,079	24,058	2,021
Corporate and democratic core		2,534	0	2,534	2,350	16	2,334
Non distributed costs		8,871	0	8,871	3,697	0	3,697
Exceptional non distributed costs **		0	0	0	(34,157)	0	(34,157)
Net cost of services		441,338	151,187	290,151	364,928	150,031	214,897
Other Operating Expenditure							
Net gain on the disposal of non-current assets				(42)			(323)
Levy - North Wales Fire and Rescue Authority				7,052			7,119
Precept - North Wales Police Authority	6			12,705			12,186
Other preceptors - community councils	6			2,191			2,119
Total Other Operating Expenditure				21,906			21,101
Financing and Investment Income and Expenditure							
Interest payable and similar charges	3			10,231			9,970
Investment losses and investment	3,4			4,824			5,326
Interest and investment income	3			(8,345)			(6,197)
Pensions interest cost	3,5			30,878			32,897
Expected return on pensions assets	3,5			(23,172)			(22,906)
Total Financing and Investment Income and Expenditure				14,416			19,090
Net operating expenditure				326,473			255,088
Taxation and Non-Specific Grant							
Council tax income	6			(69,962)			(67,384)
Distribution from non-domestic rate pool	7			(35,203)			(42,236)
Grants - revenue (general) and capital (all)	8			(169,168)			(166,478)
Total Taxation and Non-Specific Grant Income				(274,333)			(276,098)
(Surplus)/deficit on the provision of services				52,140			(21,010)
(Surplus)/deficit arising on revaluation of non-current assets				9,218			(4,231)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(114)			(14)
Actuarial (gains) or losses on pension assets and liabilities				37,181			(15,729)
Other comprehensive income and expenditure				(46)			353
Total comprehensive income or expenditure				98,379			(40,631)

* The 2011/12 Service Reporting Code of Practice (SeRCOP) replaces the previous service heading of Cultural, Environmental, Regulatory and Planning Services with three new headings - Cultural and Related Services; Environmental and Regulatory Services; and Planning Services.

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

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

BALANCE SHEET
as at 31st March 2012

		2012		2011	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment	20,22,23				
Council dwellings		276,808		293,286	
Other land and buildings		303,964		344,344	
Vehicles, plant, furniture and equipment		12,602		6,941	
Surplus assets		13,838		7,919	
Infrastructure assets		153,823		154,016	
Community assets		9,701		9,458	
Assets under construction		5,691		1,700	
Total Property, Plant & Equipment			776,427		817,664
Investment properties	21,22,23		28,172		27,006
Agricultural estate	21,22,23		13,278		14,493
Intangible assets	19		732		628
Long term investments	24,38		2,753		2,628
Long term debtors	25		1,066		591
NON-CURRENT ASSETS TOTAL			822,428		863,010
CURRENT ASSETS					
Inventories	26	1,269		1,264	
Short term debtors (net of impairment provision)	27	29,935		28,187	
Short term investments	28	13,599		10,410	
Cash and cash equivalents	29	38,937		39,982	
Assets held for sale	30	2,757		9,493	
CURRENT ASSETS TOTAL			86,497		89,336
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months	31	(10,487)		(5,803)	
Short term creditors	32	(33,676)		(33,108)	
Provision for accumulated absences	34	(3,738)		(3,598)	
Deferred liabilities	15	(414)		(363)	
CURRENT LIABILITIES TOTAL			(48,315)		(42,872)
NON-CURRENT LIABILITIES					
Long term creditors	32	(1,913)		(2,205)	
Long term borrowing	33,38	(172,410)		(173,744)	
Deferred liabilities	35	(6,663)		(2,065)	
Provisions	34	(19,152)		(10,140)	
Other long term liabilities	5	(240,834)		(203,303)	
NON-CURRENT LIABILITIES TOTAL			(440,972)		(391,457)
NET ASSETS			419,638		518,017

BALANCE SHEET
as at 31st March 2012 (continued)

	Note	2012		2011	
		£000	£000	£000	£000
USABLE RESERVES					
Capital receipts reserve	36	6,074		6,227	
Capital grants unapplied	36	3,185		9,144	
Council fund	36	39,761		34,111	
Housing revenue account	36	1,890		1,614	
Specific reserves	36	4,671		4,690	
USABLE RESERVES TOTAL			55,581		55,786
UNUSABLE RESERVES					
Revaluation reserve	37	103,661		114,579	
Available-for-sale financial instruments reserve	37	368		254	
Capital adjustment account	37	532,784		574,061	
Financial instruments adjustment account	37	(9,051)		(9,679)	
Pensions reserve	37	(240,834)		(203,303)	
Equal pay account	37	(19,142)		(10,099)	
Deferred capital receipts	37	9		16	
Accumulated absences account	37	(3,738)		(3,598)	
UNUSABLE RESERVES TOTAL			364,057		462,231
TOTAL RESERVES			419,638		518,017

CASH FLOW STATEMENT

for the year ended 31st March 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	2012		2011	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services *		(52,140)		21,010	
Adjustment to surplus or deficit on the provision of services for non-cash movements		84,667		18,276	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(20,554)		(22,028)	
Net cash outflows from operating activities	45	<u> </u>	11,973	<u> </u>	17,258
Net cash flows from investing activities	46	(13,037)		(6,074)	
Net cash flows from financing activities	47	<u> </u>	(13,230)	<u> </u>	(5,580)
Net increase or decrease in cash and cash equivalents			<u>(1,257)</u>		<u>11,678</u>
Cash and cash equivalents at the beginning of the reporting period	29		39,982		28,964
Other			212		(660)
Cash and cash equivalents at the end of the reporting period	29		38,937		39,982

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

NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2012

1. STATEMENT OF ACCOUNTING POLICIES

General Matters

The accounts have been prepared in accordance with the requirements of the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) - based on International Financial Reporting Standards (IFRSs) - issued by CIPFA, supported by guidance notes on the application of accounting standards.

There has been a minor change in the accounting policy relating to the depreciation of those assets held at historical cost, with depreciation now commencing from the year of acquisition; this aligns arrangements more closely with the required accounting for finance leases. There have been no changes in the adopted estimation techniques, and no material and unusual charges or credits are included within the accounts.

Standards Issued But Not Yet Adopted

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Council's accounting periods beginning on or after 1st April 2012 or later periods, but the Council has not early adopted them:

- IFRS 7 'Financial Instruments – Disclosures (transfers of financial assets)'. The Council will apply IFRS 7 from 1st April 2012. It is not expected to have a material impact on the Council's financial statements.
- IFRS 9 'Financial Instruments'. The Council will apply IFRS 9 from 1st April 2015. It is not expected to have a material impact on the Council's financial statements.

Standards Early Adopted

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

Critical Judgments in Applying Accounting Policies

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

- A full impairment review of land values within the schools portfolio in the light of the current economic climate, and the current Council planning policy in favour of affordable housing consents only for unallocated land within category B (semi urban/main villages) and category C (rural villages); the result is a net decrease of £27,944k in the value of non-current assets.
- An impairment review of those finance leases that were initially recognised upon the move to International Financial Reporting Standards (IFRS), which results in a reduction of £1,082k in their book value; the adjustment aligns the value to the related liability for future lease payments.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates; items for which there is a significant risk of material adjustment in the forthcoming financial year are – the equal pay provision, the provisions liability and debtor arrears.

1. STATEMENT OF ACCOUNTING POLICIES (continued)**The Accounting Policies -****Accounting for the Costs of the Carbon Reduction Commitment Scheme**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme; the scheme is currently in its introductory phase which will last until 31st March 2014. There is a requirement for the Authority to purchase and surrender allowances (currently retrospectively), on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability is measured at the best estimate of the expenditure required to meet the obligation - normally at the current market price of the number of allowances required to meet the liability at the reporting date - and will be discharged by surrendering allowances. The cost to the Authority is apportioned to services on the basis of energy consumption, and is recognised (and reported) in the costs of services.

Borrowing Costs

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

Capital Receipts

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

Cash and Cash Equivalents

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

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

Component Accounting

Where a material item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately; the requirements are applicable to enhancement expenditure incurred, acquisition expenditure incurred, and revaluations carried out.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)**Component Accounting (continued)**

A deminimus materiality level of 0.5% of the value of the asset base has been set, below which individual items of property, plant and equipment will not be considered for componentisation; significant components will be deemed as those whose current cost is 20% or more of the total current cost of the asset, and categorised as follows based on significance, useful life and depreciation method –

Component	Detail
Superstructure and Substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightening protection, communications and security installations, builders work in connection with and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of the components is made is replacement cost. In general, the expected split for components would be 50-60% for Superstructure and Substructure, 20% for Internal Finishes and Fittings, and 20-30% for Services; the actual split is determined following individual valuation of the property. Land is a separate component in its own right, but is not considered for depreciation purposes.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% (or £20,000) of the overall cost of the asset, a proportion of the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or revalued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings, and Services providing that the asset exceeds the deminimus threshold of 0.5% of the value of the asset base. Land is identified as a separate component in its own right.

Debt Redemption

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)**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 2012.

Depreciation

Straight line depreciation is provided for on all property, plant and equipment with a finite useful life (other than for non-depreciable land), with provision made from the first full financial year following acquisition/valuation in the case of all assets other than those acquired under finance leases, for which provision is made from the year of acquisition. The calculation is based on the 2011/12 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values for all property, plant and equipment.

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

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

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

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

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

Employee Benefits

The full cost of employees is recognised in the year in which the service is received from employees. The cost of annual leave entitlement, flexi-time and time off in lieu (TOIL) earned but not taken by employees at the end of the year is accrued in the financial statements. Where retrospective adjustments or special payments are required, for example through pay awards or redundancy payments, an accrual is also included.

Financial Assets

Financial assets are classified into two types:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. 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 comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets:

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

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

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

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

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

Financial Liabilities

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)**Government Grants and Contributions**

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

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

Heritage Assets

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

Historical Buildings :

The Council's Historical Buildings are located primarily in the Greenfield Valley Heritage Park. Historical buildings are classified as –

Operational –

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

Non-Operational –

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

Collections :***County Archives –***

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)**Heritage Assets (continued) –*****County Archives (continued) –***

A few purchased items are held, the most notable of which is Thomas Pennant's own copy of his *History of the Parishes of Whiteford & Holywell* (with additional illustrations) which was purchased in 1986 (price unrecorded).

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

The small number of items held at the Record Office that have been valued for insurance purposes are artefacts rather than the documentary material which forms the large majority of the holdings, and as such are exceptions. Their value is not considered material for reporting/disclosure purposes.

County Museum –

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 100 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder is held in an off-site store.

The vast majority of the collection items have been donated. The only purchased items are - the Martin Harrison Collection of Buckley Pottery, consisting of 351 pieces of pottery and 103 tiles which was purchased in 2010 for £19,000, largely by way of grant funding; the collection was valued for the purposes of the grant aid application. A ceramic platter has since been added to this collection, purchased by the Tyrer Charitable Trust and donated to the Museums Service. Items have also been purchased through the Treasure Trove scheme and valued as part of that process – the purchase prices range from £50 to £1,500, some of which were grant aided.

There are 6 ceramic vessels on display in Buckley Museum which have insurance values as supplied by the lender (National Museums Liverpool)

The vast majority of the collection cannot be valued because of its diverse and unique nature. Conventional valuation approaches lack sufficient reliability and the cost of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. As with the County Archives collection, the Council does not recognise these assets on the balance sheet.

Impairment

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)**Intangible Assets**

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

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

	Years
Software licences	5
Development expenditure	7

Interest Charges

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

Inventories

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

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

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties and the agricultural estate have been valued at fair value. In cases where there was no market-based evidence of fair value for a particular asset, depreciated replacement cost has been used. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Investments

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

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

Jointly Controlled Operations and Jointly Controlled Assets

The Council recognises on the balance sheet the assets that it controls and the liabilities that it incurs from the activity of any jointly controlled operations undertaken in conjunction with other parties, and reflects within the comprehensive income and expenditure statement the expenditure it incurs, and the share of income it earns from such.

The Authority accounts for only its share of any assets (items of property, plant and equipment) that are jointly controlled with other parties, and its share of liabilities and expenses and income earned; the joint arrangement does not involve the establishment of a separate entity.

Leases

Finance Leases

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)***Finance Leases (continued)***

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

Operating Leases

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

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

Non-Current Assets Held for Sale

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

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

Overheads

The costs of centrally provided support services and administrative buildings have been charged to services in line with the Service Reporting Code of Practice (SeRCOP), which replaced the previous Best Value Accounting Code of Practice with effect from 1st April 2011. The costs of the corporate and democratic core and any non distributed costs are allocated to separate objective heads and are not apportioned to any other service.

Pensions

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

Teachers:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)**Pensions (continued)*****Other Employees:***

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

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

Property, Plant and Equipment

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

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). They are classified into various groupings as required by the 2011/12 Code of Practice on Local Authority Accounting.

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

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2011/12 (the second year of the current cycle, which commenced 1st April 2010), approximately 20% of non-dwelling assets were revalued, together with the whole of the housing stock. 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).

1. STATEMENT OF ACCOUNTING POLICIES (continued)**Provisions**

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

Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Segment Reporting

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

A segment is reported where its expenditure is 10% or more of the gross expenditure within the net cost of services; or its income is 10% or more of the gross income within the net cost of services.

Where the reportable segments identified do not include at least 75% of the expenditure within the net cost of services, additional segments or combinations of segments are treated as reportable segments until the reportable segments include at least 75% of the expenditure within the net cost of services.

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

Value Added Tax

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

2. SEGMENTAL REPORTING

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

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

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

2011/12		Community Services	Environment	Lifelong Learning	Corporate Services	Central and Corporate Finance	HRA	Total
		£000	£000	£000	£000	£000	£000	£000
Income	Fees, charges & other service income	(8,332)	(37,516)	(14,685)	(49,840)	(18,783)	(55,795)	(184,951)
	Government grants	(9,343)	(7,220)	(20,004)	(709)	0	6,311	(30,965)
	Total	(17,675)	(44,736)	(34,689)	(50,549)	(18,783)	(49,484)	(215,916)
Expenditure	Employee expenses	28,488	24,270	105,337	12,558	3,579	6,034	180,266
	Other service expenses	44,490	52,147	41,373	55,912	36,815	43,080	273,817
	Total	72,978	76,417	146,710	68,470	40,394	49,114	454,083
Final Outturn		55,303	31,681	112,021	17,921	21,611	(370)	238,167

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

2. SEGMENTAL REPORTING (continued)

2010/11	Community Services	Environment	Lifelong Learning	Corporate Services	Central and Corporate Finance	HRA	Total
	£000	£000	£000	£000	£000	£000	£000
Income							
Fees, charges & other service income	(8,881)	(32,422)	(14,263)	(47,655)	(14,418)	(34,328)	(151,967)
Government grants	(10,860)	(7,823)	(19,616)	(438)	0	6,391	(32,346)
Total	(19,741)	(40,245)	(33,879)	(48,093)	(14,418)	(27,937)	(184,313)
Expenditure							
Employee expenses	31,573	24,921	109,144	13,706	5,166	6,417	190,927
Other service expenses	42,174	47,109	37,211	52,373	34,021	21,484	234,372
Total	73,747	72,030	146,355	66,079	39,187	27,901	425,299
Final Outturn	54,006	31,785	112,476	17,986	24,769	(36)	240,986

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

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

	2011/12 £000	2010/11 £000
Final outturn	238,167	240,986
Add amounts not reported to management	89,200	3,380
Remove amounts reported to management not included in comprehensive income and expenditure statement	<u>(37,216)</u>	<u>(29,469)</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>290,151</u>	<u>214,897</u>

Reconciliation to Subjective Analysis

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

2. SEGMENTAL REPORTING (continued)

Reconciliation to Subjective Analysis (Single Entity) 2011/12	Service Analysis £000	Not Reported to Manag't £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(184,951)	0	0	(184,951)	0	(184,951)
Interest and investment income	0	0	0	0	(31,517)	(31,517)
Income from council tax	0	0	0	0	(69,962)	(69,962)
Distribution from non-domestic rate pool	0	0	0	0	(35,203)	(35,203)
Government grants and contributions	(30,965)	0	0	(30,965)	(169,168)	(200,133)
Gain or loss on disposal of fixed assets	0	0	0	0	(42)	(42)
Total Income	(215,916)	0	0	(215,916)	(305,892)	(521,808)
Employee expenses	180,266	9,043	0	189,309	0	189,309
Other service expenses	273,817	20,293	(14,795)	279,315	0	279,315
Support Service recharges	0	22,421	(22,421)	0	0	0
Depreciation, amortisation and impairment	0	37,443	0	37,443	0	37,443
Interest payments	0	0	0	0	45,933	45,933
Precepts & levies	0	0	0	0	21,948	21,948
Total operating expenses	454,083	89,200	(37,216)	506,067	67,881	573,948
Surplus or deficit on the provision of services	238,167	89,200	(37,216)	290,151	(238,011)	52,140

Reconciliation to Subjective Analysis (Single Entity) 2010/11	Service Analysis £000	Not Reported to Manag't £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(139,185)	0	0	(139,185)	0	(139,185)
Interest and investment income	0	0	0	0	(29,103)	(29,103)
Income from council tax	0	0	0	0	(67,384)	(67,384)
Distribution from non-domestic rate pool	0	0	0	0	(42,236)	(42,236)
Government grants and contributions	(45,128)	0	0	(45,128)	(166,478)	(211,606)
Gain or loss on disposal of fixed assets	0	0	0	0	(323)	(323)
Total Income	(184,313)	0	0	(184,313)	(305,524)	(489,837)
Employee expenses	190,927	0	0	190,927	0	190,927
Other service expenses	234,372	(52,303)	(8,178)	173,891	0	173,891
Support Service recharges	0	21,291	(21,291)	0	0	0
Depreciation, amortisation and impairment	0	34,392	0	34,392	0	34,392
Interest payments	0	0	0	0	48,193	48,193
Precepts & levies	0	0	0	0	21,424	21,424
Total operating expenses	425,299	3,380	(29,469)	399,210	69,617	468,827
Surplus or deficit on the provision of services	240,986	3,380	(29,469)	214,897	(235,907)	(21,010)

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Interest payments and similar charges of £10,231k (£9,970k in 2010/11) together with investment losses of £387k (£99k in 2010/11) and investment expenditure of £4,437k (£5,227k in 2010/11) totaling £4,824k (£5,326k in 2010/11), pensions interest cost and expected return on pensions assets of £7,706k (£9,991k in 2010/11) and interest and investment income (including the upwards revaluation of investment properties) of £8,345k (£6,197k in 2010/11) produce an aggregate net total of £14,416k (£19,090k in 2010/11).

	2012	2011
	£000	£000
Interest payable and similar charges	10,231	9,970
Investment losses and investment expenditure (see analysis in note 4 below)	4,824	5,326
Pensions interest cost and expected return on pensions assets	7,706	9,991
Interest and investment income	(8,345)	(6,197)
	<u>14,416</u>	<u>19,090</u>

4. INVESTMENT LOSSES

Impairment of £387k net (£99k in 2010/11) and investment expenditure of £4,437k (£5,227k in 2010/11) have been recognised.

	2012		2011		
	£000	£000	£000	£000	£000
Impairment on investment property		748		234	
Impairment adjustments - Landsbanki	(202)		28		
Less interest receivable	(159)		(163)		
		<u>(361)</u>		<u>(135)</u>	
			387		99
Investment (properties) expenditure		<u>4,437</u>		<u>5,227</u>	
		<u>4,824</u>		<u>5,326</u>	

Investment property impairment losses account for £748k of the net total, offset by a net adjustment of £361k relating to investments in the Icelandic bank Landsbanki, which collapsed in October 2008.

The Council has £3,700k deposited with Landsbanki with varying maturity dates and interest rates :-

Date	Maturity	Amount	Interest
Invested	Date	Invested	Rate
		£000	%
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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

4. INVESTMENT LOSSES (continued)

All monies are currently subject to the administration process. In late 2011, it was confirmed that priority status had been upheld by the Icelandic Supreme Court, ensuring that local authority investors (including Flintshire County Council), are recognised as preferential creditors.

The Winding up Board of Landsbanki made a distribution to priority creditors in February 2012; the Council received £1,088k of its £3,700k investment. In March 2012, the Winding up Board announced that recoveries in the Landsbanki administration would now likely be 100% of their deposits, subject to potential future exchange rate fluctuations. The final impact on the Council will not be known until the distribution process is completed.

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 2011/12 (£202k) recognised in the comprehensive income and expenditure statement has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are fully recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

A further distribution of £458k was received in May 2012.

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

Date	%
December 2012	7.0
December 2013	7.0
December 2014	7.0
December 2015	7.0
December 2016	7.0
December 2017	7.0
December 2018	7.0
December 2019	8.8
	<hr style="border-top: 1px solid black;"/> 57.8 <hr style="border-top: 1px solid black;"/>

5. PENSIONS

Teachers:

In 2011/12, the Council paid £7,271k to the Department for Education in respect of teachers' pension costs (£7,331k in 2010/11), which represents 14.19% (average) of teachers' pensionable pay (14.10% in 2010/11).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2011/12 these amounted to £487k (£472k in 2010/11), representing 0.95% of pensionable pay (0.92% in 2010/11).

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 received £803k from the fund for benefits administration and other central support services (£847k in 2010/11).

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

Further information regarding the Clwyd Pension Fund accounts is provided on pages 75 to 102, and in the Clwyd Pension Fund Annual Report which is available upon request.

Transactions Relating to Retirement Benefits -

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

5. PENSIONS (continued)

	2012		2011	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Net Cost of Services -				
Current service cost	12,845		14,168	
Past service cost/(gain)	175		(34,117)	
Curtailements/settlements	473		1,090	
Net Operating Expenditure -		13,493		(18,859)
Interest cost	30,878		32,897	
Expected return on scheme assets	(23,172)		(22,906)	
		7,706		9,991
Net charge to comprehensive income and expenditure statement		21,199		(8,868)
Movement in Reserves Statement				
Reversal of net charges made for retirement benefits in accordance with IAS 19		(21,199)		8,868
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme		20,849		21,030
Net debit/(credit) to the movement in reserves statement		(350)		29,898

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, there are actuarial losses of £37,181k (gains of £15,729k in 2010/11). The cumulative amount of actuarial losses is £185,592k (net).

Assets and Liabilities in Relation to Retirement Benefits -

Reconciliation of present value of the scheme liabilities -

	2012	2011
	£000	£000
1st April	564,531	589,060
Current service cost	12,845	14,168
Interest cost	30,878	32,897
Contributions by scheme participants	4,866	4,954
Actuarial gains and losses	20,425	(22,010)
Benefits paid	(23,186)	(21,511)
Past service costs	175	40
Past service gains	0	(34,157)
Curtailements/settlements	473	1,090
31st March	<u>611,007</u>	<u>564,531</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

5. PENSIONS (continued)

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

	2012	2011
	£000	£000
1st April	361,228	340,130
Expected rate of return	23,172	22,906
Actuarial gains and losses	(16,756)	(6,281)
Employer contributions	19,258	21,030
Contributions by scheme participants	4,866	4,954
Benefits paid	(21,595)	(21,511)
31st March	<u>370,173</u>	<u>361,228</u>

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

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

The actual return on scheme assets in the year was £6,416k (£24,206k in 2010/11).

Scheme History -

	2012	2011	2010	2009	2008	2007
	£000	£000	£000	£000	Restated	Restated
	£000	£000	£000	£000	£000	£000
Present value of liabilities	(611,007)	(564,531)	(589,060)	(429,545)	(501,354)	(465,645)
Fair value of assets	370,173	361,228	340,130	248,841	314,562	317,008
Surplus/deficit in the scheme	<u>(240,834)</u>	<u>(203,303)</u>	<u>(248,930)</u>	<u>(180,704)</u>	<u>(186,792)</u>	<u>(148,637)</u>

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £240,834k is included as part of the unusable reserves total on the Balance Sheet (within the overall reserves balance of £419,638k) on page 10.

Statutory arrangements for funding the deficit means 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 LGPS by the Council in the year to 31st March 2013 is £19.2m.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

The principal assumptions used by the actuary for LGPS are -

	2012	2011
Long term expected return on assets in the scheme		
Equity investments	7.0%	7.5%
Bonds	4.1%	5.1%
Other	7.0%	7.5%
Mortality Assumptions		
Longevity at 65 for current pensioners -		
Men	21.8 yrs	21.8 yrs.
Women	24.4 yrs	24.3 yrs.
Longevity at 65 for future pensioners -		
Men	23.2 yrs	23.2 yrs.
Women	26 yrs	25.9 yrs.
Rate of inflation (Consumer Prices Index)	2.5%	2.9%
Rate of increase in salaries	4.0%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%
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 :-

	2012	2011
	%	%
Equity investments	41	58
Other bonds	16	12
Property	10	7
Cash/liquidity	3	2
Other assets	30	21
	<u>100</u>	<u>100</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

5. PENSIONS (continued)

History of Experience Gains and Losses -

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012 :-

	2012	2011	2010	2009	2008	2007
					Restated	Restated
			%	%	%	%
Differences between the expected and actual return on assets	(4.53)	(1.74)	19.67	(38.72)	(9.70)	0.64
Experience gains and losses on liabilities	0.00	3.31	0.00	0.00	1.68	0.00

6. COUNCIL TAX

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

Council tax is based on the valuation band into which a property has been placed. Charges are calculated by dividing the total annual income requirements of the Council and the North Wales Police Authority by the Council tax base. The tax base is the total of all the properties in each band adjusted by a proportion to convert the number to a band D equivalent, and also adjusted for discounts. The tax base for 2011/12 was 60,692, (60,528 in 2010/11), 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	-	3,785	8,776	19,327	11,812	9,750	6,582	2,970	569	224	63,795	
Dwellings with disabled reliefs	-	24	58	145	117	117	82	39	11	21	614	
Adjusted chargeable dwellings	24	3,819	8,863	19,299	11,812	9,715	6,539	2,942	579	203	63,795	
Adjusted Chargeable Dwellings												
Dwellings with no discounts	11	1,239	4,758	12,522	8,355	7,407	5,404	2,519	500	180	42,895	
Dwellings with one discount	13	2,580	4,099	6,766	3,449	2,301	1,128	416	62	19	20,833	
Dwellings with two discounts	0	0	6	11	8	7	7	7	17	4	67	
Discounted chargeable dwellings	24	3,819	8,863	19,299	11,812	9,715	6,539	2,942	579	203	63,795	
Discounted Chargeable Dwellings												
Total discounted dwellings	21	3,174	7,835	17,602	10,946	9,136	6,254	2,835	555	196	-	
Ratio to band "D"	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	-	
Band "D" equivalent	12	2,116	6,094	15,646	10,946	11,167	9,033	4,724	1,110	458	61,305	
											Collection rate adjustment (at 1%)	(613)
											Exempt properties adjustment	0
											Council Tax Base 2011/12	60,692

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

6. COUNCIL TAX (continued)

The basic Flintshire charge for a band D property in 2011/12 was £905.23 (£878.86 in 2010/11). Council tax bills were based on the following multipliers for bands A* to I :-

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

Significant amongst the precepts levied on Flintshire County Council was that of the North Wales Police Authority in the sum of £12,705,263 (£12,186,102 in 2010/11). The 34 community/town councils also levied precepts amounting in total to £2,191,442 (£2,119,240 in 2010/11).

Analysis of the net proceeds from Council tax:

	2012	2011
	£000	£000
Council tax collected	70,225	67,676
Add - Decrease in bad debts provision	27	124
Less - Amounts written off to provision	(290)	(416)
	<u>69,962</u>	<u>67,384</u>
Less - Payable to North Wales Police Authority	(12,705)	(12,186)
	<u>57,257</u>	<u>55,198</u>

7. NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2011/12 was 42.8p for all properties (40.9p in 2010/11). The Council is responsible for collecting the rates in its area, which are paid into the NDR pool administered by the Welsh Government.

The Welsh Government distributes NDR pool receipts to local authorities on the basis of a fixed amount per head of population. 2011/12 NDR income paid into the pool was £57,981,019 after relief and provisions (£50,591,181 in 2010/11), based on a year end rateable value total of £153,115,317 (£148,694,794 in 2010/11).

Analysis of the net proceeds from non-domestic rates:

	2012	2011
	£000	£000
Non-domestic rates collected	58,378	51,085
Less - Paid into NDR pool	(57,981)	(50,591)
Less - Cost of collection	(438)	(509)
Add - Decrease in bad debts provision	41	15
	<u>0</u>	<u>0</u>
Receipts from pool	35,203	42,236
	<u>35,203</u>	<u>42,236</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

8. GRANTS – REVENUE (GENERAL) AND CAPITAL

Welsh Government revenue grant funding of £151,229k (£146,458k in 2010/11) was received during 2011/12, comprising of revenue support grant, and improvement agreement grant.

Capital grants and contributions earned totaling £17,939k (£20,020k in 2010/11) are also reflected in the Comprehensive Income and Expenditure Statement, producing a grant income total of £169,168k (£166,478k in 2010/11).

	2012		2011	
	£000	£000	£000	£000
Revenue Grants - General				
Revenue support grant	149,753		144,976	
Improvement agreement grant	1,476		1,482	
	<u> </u>	151,229	<u> </u>	146,458
Capital Grants and Contributions				
Capital grants	12,739		14,820	
Major repairs allowance	5,200		5,200	
	<u> </u>	17,939	<u> </u>	20,020
		<u> </u>		<u> </u>
		169,168		166,478
		<u> </u>		<u> </u>

9. 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 2011/12 were as follows :-

	2012	2011
	£000	£000
Total minimum revenue provision	6,403	6,338
Recharge to housing revenue account	(552)	(592)
	<u> </u>	<u> </u>
	5,851	5,746
	<u> </u>	<u> </u>

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue resources. The credit adjustment for the year is £69,031k (£12,216k debit in 2010/11).

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

2011/12	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Charges for depreciation and impairment of non current assets	0	0	19,522	0	23,792	43,314	(43,314)
Revaluation losses on Property, Plant and Equipment	0	0	29,897	0	0	29,897	(29,897)
Movements in the market value of Investment Properties	0	0	(1,261)	0	0	(1,261)	1,261
Amortisation of intangible assets	0	0	(15)	0	15	0	0
Capital grants and contributions applied	0	(23,898)	0	0	0	(23,898)	23,898
Movement in the Donated Assets Account	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	7,741	0	50	7,791	(7,791)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(42)	0	0	(42)	42
<i>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Statutory provision for the financing of capital investment	0	0	(6,281)	0	(552)	(6,833)	6,833
Capital expenditure charged against the Council Fund and HRA balances	0	0	(1,288)	(457)	(2,714)	(4,459)	4,459
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	17,939	(17,939)	0	0	0	0
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	(153)	0	0	0	0	(153)	153
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0	(132)	(132)	132
Adjustments involving the Pensions Reserve:							
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	0	0	350	0	0	350	(350)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,105	1,105	(1,105)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(977)	(977)	977
Adjustment involving the Equal Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	9,043	0	0	9,043	(9,043)
Adjustment involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	102	0	38	140	(140)
Other Adjustment							
Net transfer to or from earmarked reserves as required by legislation	0	0	15,146	0	0	15,146	(15,146)
Adjustments between accounting basis & funding basis under regulations	(153)	(5,959)	54,975	(457)	20,625	69,031	(69,031)

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

2010/11	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Charges for depreciation and impairment of non current assets	0	0	27,168	0	6,873	34,041	(34,041)
Revaluation losses on Property, Plant and Equipment	0	0	65	0	0	65	(65)
Movements in the market value of Investment Properties	0	0	234	0	0	234	(234)
Amortisation of intangible assets	0	0	0	0	3	3	(3)
Capital grants and contributions applied	0	(17,782)	0	0	0	(17,782)	17,782
Movement in the Donated Assets Account	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	7,597	0	0	7,597	(7,597)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(323)	0	465	142	(142)
<i>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Statutory provision for the financing of capital investment	0	0	(5,864)	0	(550)	(6,414)	6,414
Capital expenditure charged against the Council Fund and HRA balances	0	0	(1,229)	(441)	(2,000)	(3,670)	3,670
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	20,020	(20,020)	0	0	0	0
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	1,409	0	0	0	0	1,409	(1,409)
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	53	0	(188)	(135)	135
Adjustments involving the Pensions Reserve:							
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	0	0	(29,898)	0	0	(29,898)	29,898
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,236	1,236	(1,236)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(947)	(947)	947
Adjustment involving the Equal Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	5,196	0	0	5,196	(5,196)
Adjustment involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0	814	0	(27)	787	(787)
Other Adjustment							
Net transfer to or from earmarked reserves as required by legislation	0	0	(3,935)	0	(145)	(4,080)	4,080
Adjustments between accounting basis & funding basis under regulations	1,409	2,238	(20,142)	(441)	4,720	(12,216)	12,216

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

11. RELATED PARTIES

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

- Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties such as council tax bills and housing benefits. Material transactions are detailed in notes 7 and 8, with further (specific revenue) grant support provided across various services to the value of £38,267k (£35,747k in 2010/11)
- Relevant transactions with members of the Council during 2011/12 amounted to £528k (£357k in 2010/11).
- Total precepts and levies to the North Wales Police Authority and the North Wales Fire and Rescue Authority amounted to £19,757k (£19,305k in 2010/11); total precepts to the 34 community/town councils amounted to £2,191k (£2,119k in 2010/11).
- Details of transactions with the Pension Fund are provided in note 5 on pages 29 to 33, and within the Pension Fund accounts on pages 75 to 102.

12. AUDIT FEES

Total audit and inspection fees due during the year amounted to £495k (£491k in 2010/11). External audit services were provided by Wales Audit Office.

	2012	2011
	£000	£000
Fees for the accounts	216	221
Fees for the Local Government Measure	127	156
Fees for grants	152	114
	495	491

13. AGENCY SERVICES

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

Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £2,063k (£2,258k in 2010/11). Income and expenditure relating to the Trunk Road Agency Agreement is incorporated in the comprehensive income and expenditure statement net cost of services total.

14. OFFICERS' REMUNERATION

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

14. OFFICERS' REMUNERATION (continued)

Remuneration Band	2012		2011	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	2	13	3	8
£65,000 - £69,999	7	5	13	5
£70,000 - £74,999	10	3	3	3
£75,000 - £79,999	2	1	0	4
£80,000 - £84,999	1	3	2	1
£85,000 - £89,999	0	0	1	1
£90,000 - £94,999	0	2	0	1
£95,000 - £99,999	2	0	2	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	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	1	0
£140,000 - £144,999	0	0	3	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
£155,000 - £159,999	1	0	0	0
£160,000 - £164,999	1	0	0	0
	<u>28</u>	<u>27</u>	<u>28</u>	<u>23</u>

Information has been compiled on the basis of the requirements of the Accounts and Audit Regulations, and related CIPFA guidance; the numbers include 'non-permanents' (interims / consultants), and all non-school numbers include the senior employee posts listed on page 40. The band values do not include employer pension contributions, which for 2010/11 were accounted for at a rate of 14.1% for teachers and 22.3% for other employees, and for 2011/12 were accounted for at a rate of 14.1% for teachers and 22.5% for other employees.

Senior Employee Emoluments

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

Senior Employee Emoluments - Salary over £150,000 per year:

Post Title	Note	Pensionable Pay	Expense Allowance	Total Remuneration	Employer's Pension Contributions	Total Remuneration
				Excluding Pension Contributions	£	Including Pension Contributions
		£	£	£	£	£
2011/12 Chief Executive - Colin Everett	1	156,302	80	156,382	35,168	191,550
		<u>156,382</u>	<u>80</u>	<u>156,382</u>	<u>35,168</u>	<u>191,550</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

14. OFFICERS' REMUNERATION (continued)

Senior Employee Emoluments - Salary between £60,000 and £150,000 per year:

Post Title	Note	Pensionable	Expense	Total	Employer's	Total
		Pay	Allowance	Remuneration Excluding Pension Contributions	Pension Contributions	Remuneration Including Pension Contributions
		£	£	£	£	£
2011/12						
Director of Community Services	2	62,776	0	62,776	14,124	76,900
Director of Environment		97,328	0	97,328	21,899	119,227
Director of Lifelong Learning		97,328	0	97,328	21,899	119,227
Head of Finance		81,960	0	81,960	18,411	100,371
Head of ICT & Customer Services	3	75,557	0	75,557	17,000	92,557
Head of Human Resources and Organisational Development		69,154	0	69,154	15,560	84,714
		484,103	0	484,103	108,893	592,996
2010/11 (comparative information)						
Chief Executive	1	140,264	160	140,424	31,279	171,703
Director of Community Services (not in post)		0	0	0	0	0
Director of Environment		97,328	0	97,328	21,704	119,032
Director of Lifelong Learning		97,328	0	97,328	21,704	119,032
Head of Finance		81,960	0	81,960	18,277	100,237
Head of Legal and Democratic Services	4	83,049	0	83,049	18,520	101,569
Head of ICT & Customer Services		69,154	0	69,154	15,421	84,575
Head of Human Resources and Organisational Development		66,593	0	66,593	14,850	81,443
		635,676	160	635,836	141,755	777,591

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 : Commenced July 2011. Acting/interim arrangements prior to the appointment are not included in the analysis.

Note 3 : Pensionable pay includes remuneration relating to additional responsibilities as Deputy Chief Executive (Flintshire Futures).

Note 4 : Post holder retired in July 2011. Acting/interim arrangements during 2011/12 are not included in the 2011/12 analysis.

Exit Packages

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

Exit Package Cost Band (Including Special Payments)	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	37	25	26	31	63	56	391,215	275,721
£20,001 - £40,000	5	8	11	9	16	17	465,060	515,548
£40,001 - £60,000	1	2	9	3	10	5	471,003	230,631
£60,001 - £110,000	0	0			2	1	162,125	90,934
	43	35	48	44	91	79	1,489,403	1,112,834

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

15. LEASING

Lessee Rentals

Finance Leases -

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

Asset Classification	2012 £000	2011 £000
Land	0	0
Buildings	0	451
Vehicles, plant and equipment	5,987	948
	<u>5,987</u>	<u>1,399</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts of which £414k is due to be paid during the next 12 months (£363k equivalent for the previous financial year); the non-current amount of £5,573k is included within the deferred liabilities total of £6,663k (note 35 on page 55) :

	2012 £000	Repaid £000	New £000	2011 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	414	251	302	363
Non-current	5,573	200	4,733	1,040
	<u>5,987</u>	<u>451</u>	<u>5,035</u>	<u>1,403</u>
Finance costs payable in future years	4,020	200	3,700	520
Minimum lease payments	<u>10,007</u>	<u>651</u>	<u>8,735</u>	<u>1,923</u>

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

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

Finance costs - the interest element of the minimum lease payments

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2012 £000	2011 £000	2012 £000	2011 £000
Not later than one year	947	489	414	363
Later than one year and not later than five years	4,235	1,189	2,146	830
Later than five years	4,826	245	3,427	210
	<u>10,008</u>	<u>1,923</u>	<u>5,987</u>	<u>1,403</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

In 2011/12, operating lease rentals paid amounted to £1,760k (£1,764k in 2010/11).

Asset Classification	2012 £000	2011 £000
Land	23	22
Buildings	140	172
Vehicles, plant and equipment	1,597	1,570
	<u>1,760</u>	<u>1,764</u>

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

	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	23	135	1,146	1,304
Later than one year and not later than five years	71	307	1,368	1,746
Later then five years *	913	267	0	1,180
	<u>1,007</u>	<u>709</u>	<u>2,514</u>	<u>4,230</u>

* Any open ended agreements are calculated to 2020/21 in line with the general average life of the longest leases

Lessor Rentals**Operating Leases –**

The Council leases out property under operating leases largely for economic development purposes. In 2011/12, lease rentals receivable amounted to £2,286 (£2,324k in 2010/11).

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

	Land £000	Buildings £000	Total £000
Not later than one year	339	1,904	2,243
Later than one year and not later than five years	1,348	6,481	7,829
Later then five years *	24,536	11,343	35,879
	<u>26,223</u>	<u>19,728</u>	<u>45,951</u>

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

Finance Leases –

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

16. MEMBERS' ALLOWANCES

Allowances totaling £1,351k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2011/12 (£1,346k in 2010/11).

	2012	2011
	£000	£000
Basic allowance	913	910
Special responsibility allowance	264	251
Care allowance	3	4
Employer's national insurance	89	96
Employer's superannuation	36	38
Members' expenses	46	47
	<u>1,351</u>	<u>1,346</u>

The allowances paid fall into the following bands :-

	2012	2011
Allowance Band	Number of Members	Number of Members
£10,000 - £14,999	46	48
£15,000 - £19,999	3	3
£20,000 - £24,999	8	6
£25,000 - £29,999	4	3
£30,000 - £34,999	5	6
£35,000 - £39,999	3	3
£40,000 - £44,999	0	0
£45,000 - £49,999	0	0
£50,000 - £54,999	1	1
	<u>70</u>	<u>70</u>

17. TRADING OPERATIONS

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

	2012		2011	
	Income	(Surplus)/ Deficit	Income	(Surplus)/ Deficit
	£000	£000	£000	£000
Building maintenance	8,838	305	9,229	(580)
	<u>8,838</u>	<u>305</u>	<u>9,229</u>	<u>(580)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

17. TRADING OPERATIONS (continued)

- The building maintenance deficit of £305k reflects additional sub-contractor costs incurred in maintaining services during the implementation of mobile working, the writing off of obsolete inventory items following outsourcing the stores to Travis Perkins, and increased support service recharges.

18. NATIONAL HEALTH SERVICES (WALES) ACT 2006

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

Partnership	2012	2011
	£000	£000
Gross expenditure	1,013	958
Gross income	(1,020)	(942)
(Surplus)/deficit for year	<u>(7)</u>	<u>16</u>
Contribution to Budget		
Flintshire County Council	362	362

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	Gross	Net	%
	£000	£000	
Flintshire County Council	456	450	50.25
Wrexham County Borough Council	451	445	49.75
	<u>907</u>	<u>895</u>	<u>100.00</u>

19. INTANGIBLE ASSETS

	2012	Write-Offs	Additions	2011
	£000	£000	£000	£000
Software licences	0	0	0	0
Development expenditure	732	(116)	220	628
	<u>732</u>	<u>(116)</u>	<u>220</u>	<u>628</u>

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy as included on page 19.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

20. PROPERTY PLANT AND EQUIPMENT

Movements 2011/12

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra- structure Assets	Com- munity Assets	Assets under Construc- tion	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2011	305,432	470,006	33,877	9,032	195,677	10,920	12,025	1,036,969
Additions	10,348	7,400	7,779	0	4,858	519	3,991	34,895
Disposals	(118)	0	0	(275)	0	0	0	(393)
Reclassifications	0	(137)	450	7,893	0	0	0	8,206
Revaluations	(33,508)	(85,881)	537	(2,482)	0	0	(10,812)	(132,146)
At 31st March 2012	282,154	391,388	42,643	14,168	200,535	11,439	5,204	947,531
Depreciation and Impairments								
At 1st April, 2011	(12,146)	(128,574)	(27,922)	(1,113)	(41,661)	(1,462)	(10,812)	(223,690)
Depreciation charge for 2011/12	(5,210)	(5,253)	(1,486)	0	(5,051)	(276)	0	(17,276)
Impairment charge for 2011/12	0	28,402	(1,082)	0	0	0	0	27,320
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	12,010	15,089	(537)	783	0	0	10,812	38,157
At 31st March 2012	(5,346)	(90,336)	(31,027)	(330)	(46,712)	(1,738)	0	(175,489)
Balance Sheet at 31st March 2012	276,808	301,052	11,616	13,838	153,823	9,701	5,204	772,042
Acquisitions AD Waste purchase *	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2012	276,808	303,964	12,602	13,838	153,823	9,701	5,691	776,427
Balance Sheet at 1st April 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664
Nature of Asset Holding								
Owned	276,808	303,964	6,615	13,838	153,823	9,701	5,691	770,440
Finance Lease	0	0	5,987	0	0	0	0	5,987
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2012	276,808	303,964	12,602	13,838	153,823	9,701	5,691	776,427

* The assets of AD Waste Limited were purchased by the Council for the consideration of £4,531,398 on 28th September 2010; the purchase price is recorded on the Council's balance sheet by way of an 'inter company' loan, which remains on the balance sheet until the company is finally liquidated. At the date of submitting the Council's draft 2011/12 Statement of Accounts, the liquidation of AD Waste remains ongoing.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

20. PROPERTY PLANT AND EQUIPMENT (continued)

Movements 2010/11

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra-structure Assets	Com-munity Assets	Assets under Construc-tion	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April 2010	299,303	471,080	32,144	8,983	190,758	10,370	11,493	1,024,131
Additions	8,021	6,909	1,733	0	4,919	550	532	22,664
Disposals	(514)	(35)	0	0	0	0	0	(549)
Reclassifications	(1,389)	(105)	0	49	0	0	0	(1,445)
Revaluations	11	(7,843)	0	0	0	0	0	(7,832)
At 31st March 2011	305,432	470,006	33,877	9,032	195,677	10,920	12,025	1,036,969
Depreciation and Impairments								
At 1st April 2010	(5,342)	(122,045)	(25,209)	(236)	(36,937)	(1,236)	(10,812)	(201,817)
Depreciation charge for 2010/11	(5,200)	(8,021)	(2,713)	0	(4,724)	(226)	0	(20,884)
Impairment charge for 2010/11	(1,604)	(1,026)	0	(10)	0	0	0	(2,640)
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	105	0	115	0	0	0	220
Revaluations	0	2,413	0	(982)	0	0	0	1,431
At 31st March 2011	(12,146)	(128,574)	(27,922)	(1,113)	(41,661)	(1,462)	(10,812)	(223,690)
Balance Sheet at 31st March 2011	293,286	341,432	5,955	7,919	154,016	9,458	1,213	813,279
Acquisitions AD Waste purchase	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664
Balance Sheet at 1st April 2010	293,961	349,035	6,935	8,747	153,821	9,134	681	822,314
Nature of Asset Holding								
Owned	293,286	344,344	5,542	7,919	154,016	9,458	1,700	816,265
Finance Lease	0	0	1,399	0	0	0	0	1,399
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664

Property, Plant and Equipment

- Council dwellings, other land and buildings, vehicles, plant, furniture and equipment that are held, occupied, used or contracted to be used on behalf of the Authority, or consumed in the direct delivery of services. Included are dwellings and other housing properties, office buildings, schools, libraries, sports centres and pools, residential homes/day centres, depots and workshops, cemetery buildings, off street car parks, vehicles, mechanical plant, fixtures and fittings and other equipment.
- Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Included are highways, footpaths, bridges, water and drainage facilities and coastal defences.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

20. PROPERTY PLANT AND EQUIPMENT (continued)

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

21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE**Movements 2011/12**

	Investment Properties	Agricultural Estate	Total
	£000	£000	£000
Cost or Valuation			
At 1st April 2011	31,038	14,864	45,902
Additions	261	0	261
Disposals	0	(1,215)	(1,215)
Reclassifications	0	0	0
Revaluations	(2,686)	(371)	(3,057)
At 31st March 2012	28,613	13,278	41,891
Depreciation and Impairments			
At 1st April 2011	(4,178)	(371)	(4,549)
Depreciation charge for 2011/12	0	0	0
Impairment charge for 2011/12	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
Revaluations	3,591	371	3,962
At 31st March 2012	(587)	0	(587)
Balance Sheet at 31st March 2012	28,026	13,278	41,304
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2012	28,172	13,278	41,450
Balance Sheet at 1st April 2011	27,006	14,493	41,499
Nature of Asset Holding			
Owned	28,172	13,278	41,450
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2012	28,172	13,278	41,450

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE (continued)

Movements 2010/11

	Investment Properties	Agricultural Estate	Total
	£000	£000	£000
Cost or Valuation			
At 1st April, 2010	31,386	14,864	46,250
Additions	16	0	16
Disposals	0	0	0
Reclassifications	105	0	105
Revaluations	(469)	0	(469)
At 31st March 2011	31,038	14,864	45,902
Depreciation and Impairments			
At 1st April, 2010	(4,073)	(371)	(4,444)
Depreciation charge for 2010/11	0	0	0
Impairment charge for 2010/11	0	0	0
Disposals	0	0	0
Reclassifications	(105)	0	(105)
Revaluations	0	0	0
At 31st March 2011	(4,178)	(371)	(4,549)
Balance Sheet at 31st March 2011	26,860	14,493	41,353
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2011	27,006	14,493	41,499
Balance Sheet at 1st April 2010	27,313	14,493	41,806
Nature of Asset Holding			
Owned	27,006	14,493	41,499
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2011	27,006	14,493	41,499

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, and the CIPFA Guide to Asset Registers - they are classified into various groupings as required by the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom. The whole of the assets of the Authority must be revalued every five years - during 2011/12 approximately 20% of non-dwelling assets were revalued, although material changes to valuations are adjusted as they occur; the whole of the housing stock was also revalued. The valuation process incorporates impairment reviews in compliance with IAS 36.

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

Property, Plant and Equipment -

Council dwellings and garages

Alex Wheldon BSc(Hons) DipConsHistEnv(RICS) MRICS of Valuation Office Agency Wales, Wrexham and Paula M. Bllelock BSc (Hons) MRICS of Flintshire County Council

Residential homes

Not applicable this financial year

Other operational land and buildings

Paula M. Bllelock BSc (Hons) MRICS, Paul Brockley MRICS, both of Flintshire County Council

Non-Operational Assets

Investment property

Reviewed by Paul Brockley MRICS of Flintshire County Council

Agricultural estate

Not applicable this financial year

Straight line depreciation is provided for on all non-current assets with a finite useful life, other than for non-depreciable land and non-operational investment properties in accordance with IAS 16 and IAS 40. The calculation is based on the 2011/12 opening balance sheet valuations, with assumed nil residual values for all non-current assets, and varying useful life values across the portfolio. Where the asset comprises of two or more major components with substantially different useful economic lives, each component has been accounted for separately. A materiality level has been set for componentisation being individual assets greater than or equal to £2.5 million and significant components have been identified as 20% of the value of any material asset. Details of the useful lives for depreciation purposes are included within the Accounting Policies on page 15.

Vehicles, plant, furniture and equipment are valued on the basis of historical cost at £12,602k, net of depreciation (£6,941k in 2010/11).

23. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Total capital expenditure of £37,991k during the year was financed as detailed on page 50. In addition to these core capital financing sources, finance lease arrangements to the value of £5,035k were entered into in respect of the refurbishment works at Deeside Leisure Centre.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

	Supported Borrowing	Other Borrowing	Capital Receipts	Capital Grants & Contributions	Capital Reserves/CERA	Total
	£000	£000	£000	£000	£000	£000
Property, plant & equipment	640	1,812	1,842	21,212	3,869	29,375
Investment (and agricultural) properties	0	0	261	0	0	261
Total	640	1,812	2,103	21,212	3,869	29,636
REFCUS (see page 13)	5,148		515	2,686	6	8,355
2011/12 total	5,788	1,812	2,618	23,898	3,875	37,991
Being :-						
Housing revenue account	0	0	1,666	5,510	3,172	10,348
Council fund	5,788	1,812	952	18,388	703	27,643
2011/12 total	5,788	1,812	2,618	23,898	3,875	37,991

In addition to these core capital financing sources, finance lease arrangements to the value of £5,035k were entered into during 2011/12 in respect of refurbishment works at Deeside Leisure Centre (£451k in 2010/11).

Future Commitments

At 31st March 2012, the Council's forward capital programme includes (amongst other indicative programme schemes), significant commitments in respect of school modernisation works (£45,524k) school buildings repair and maintenance 'backlog' works (£9,900k), and depot rationalisation (£2,800k).

24. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at fair value. Further related information is included in note 38 on pages 62 – 66.

	2012 £000	2011 £000
War stock	15	13
Shares	725	613
Banks/building society deposits	2,013	2,002
	<u>2,753</u>	<u>2,628</u>

25. LONG TERM DEBTORS

	2012 £000	2011 £000
Mortgages - Former council house tenants	2	8
Renewal and improvement loans	769	304
First time buyer loans	100	0
Assisted car purchase loans	155	241
Private street works	40	38
	<u>1,066</u>	<u>591</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

26. INVENTORIES

The Council holds total inventories of £1,269k (£1,264k in 2010/11) in the balance sheet as at 31st March 2011.

	2012	2011
	£000	£000
Building maintenance	90	145
Highways maintenance	322	378
Fleet fuel	33	31
Grounds maintenance	8	14
Vehicle maintenance	35	47
Rock salt	257	0
Miscellaneous	524	649
	<u>1,269</u>	<u>1,264</u>

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

	2012	2011
	£000	£000
Building maintenance	463	643
Highways maintenance	332	354
Fleet fuel (Queensferry)	93	363
Fleet fuel, grounds maintenance and vehicle maintenance (Alltami)	511	362
	<u>1,399</u>	<u>1,722</u>

27. SHORT TERM DEBTORS

	2011	2011
	£000	£000
Housing rents	1,398	1,160
Council tax	2,700	2,697
Government departments	454	3,746
Taxation	1,816	2,276
Lending	138	13
Payments made in advance	3,492	3,451
Benefit overpayments	1,651	1,264
Non-domestic rates agency	450	493
Other debtors	20,535	15,656
	<u>32,634</u>	<u>30,756</u>
Less provision for impairment losses (note 34)	(2,699)	(2,569)
	<u>29,935</u>	<u>28,187</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

28. SHORT TERM INVESTMENTS

The balance sheet total of £13,599k (£10,410k in 2010/11) includes investments of £3,700k deposited in Landsbanki (see also note 4 on pages 27 to 28), 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	997	(63)
01/09/08	14/11/08	1,500	5.70	1,242	(84)
08/09/08	18/11/09	1,000	5.67	829	(55)
		<u>3,700</u>		<u>3,068</u>	<u>(202)</u>

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

2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
251	237	224	212	200	189	178	212	1,703

29. CASH AND CASH EQUIVALENTS

	2012		2011	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		16,000		22,500
Cash and cash equivalents	25,458		22,074	
Cash overdrawn	(2,521)		(4,592)	
		<u>22,937</u>	<u>17,482</u>	
		<u>38,937</u>	<u>39,982</u>	

30. ASSETS HELD FOR SALE

Those assets that are highly probable to be sold within one year of classification. The total has reduced from £9,493k to £2,757k, taking account of in-year disposals (£50k), and reflecting the reviewed position as regards disposal within 12 months. The re-classifications adjustment (£6,686k net), links with those reclassifications recorded within Property, Plant and Equipment – see note 20 on page 45.

	2012	Disposals	Reclass- ifications	2011
	£000	£000	£000	£000
Council Fund	2,239	(50)	(5,815)	8,104
Housing Revenue Account	518	0	(871)	1,389
	<u>2,757</u>	<u>(50)</u>	<u>(6,686)</u>	<u>9,493</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

31. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

The balance sheet total of £10,487k (£5,803k in 2010/11) includes an 'inter company' loan which records the purchase price of AD Waste – this value will remain on the balance sheet until the company is finally liquidated.

	2012	2011
	£000	£000
Accrued interest on long term external borrowing	4,298	1,141
Government (PWLB)	1,500	0
Invest to Save loan (from Welsh Government)	131	131
Energy Efficiency Loans (from Salix Finance)	27	0
AD Waste - inter company loan	4,531	4,531
	<u>10,487</u>	<u>5,803</u>

32. SHORT TERM CREDITORS

	2012		2011	
	£000	£000	£000	£000
Government departments	4,710		2,512	
Other creditors	<u>26,344</u>		<u>28,292</u>	
		31,054		30,804
Payments received in advance				
Housing rents	233		184	
Council tax	679		732	
Other *	<u>1,710</u>		<u>1,388</u>	
		2,622		2,304
		<u>33,676</u>		<u>33,108</u>

* net of transfer to non-current liabilities of £1,913k (£2,205k in 2010/11)

33. LONG TERM BORROWING

Analysis	Interest Rates		2012	2011
	Minimum %	Maximum %	£000	£000
By Loan Type (Fixed Rate)				
Wales Government	Interest Free		0	131
Salix Finance (Energy Efficiency)	Interest Free		297	0
Government (PWLB)	0.65	9.50	153,163	154,663
Other financial institutions	4.48	4.58	18,950	18,950
			<u>172,410</u>	<u>173,744</u>
By Maturity				
Between 1 and 2 years			55	1,631
Between 2 and 5 years			162	0
Between 5 and 10 years			14,771	11,600
More than 10 years			157,422	160,513
			<u>172,410</u>	<u>173,744</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

34. PROVISIONS**Non-Current Provisions**

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total of £19,152k incorporates the following balances :-

	2012	Movement Out	Movement In	2011
	£000	£000	£000	£000
Claims (staff)	9	(31)	0	40
North Wales Safety Camera Partnership	1	0	0	1
Equal pay	19,142	0	9,043	10,099
	<u>19,152</u>	<u>(31)</u>	<u>9,043</u>	<u>10,140</u>

- The staff claims provision covers the anticipated costs of various staff claims against the Council; no immediate calls against the provision are expected.
- The North Wales Safety Camera Partnership provision provides cover for compensation to drivers who have been wrongly fined for speeding in a designated area when it was not correctly marked as a 30 m.p.h. zone. The timing and certainty of obligations depends entirely upon those motorists who haven't already submitted claims, proceeding to do so.
- The equal pay provision provides cover for the potential costs associated with the settlement of historic equal pay cases, which includes the potential liability for existing and potential equal pay claims. The equal pay account included in the balance sheet on page 60 is used to hold an amount equal to equal pay which has been deferred from being charged to the Council fund under the Local Authority (Capital Finance and Accounting) (Wales) Regulations.

Current Provisions – Accumulated Absences

The provision for accumulated absences in 2011/12 is £3,738k (£3,598k in 2010/11).

	2012	Movement Out	Movement In	2011
	£000	£000	£000	£000
Accumulated absences	3,738	(343)	483	3,598
	<u>3,738</u>	<u>(343)</u>	<u>483</u>	<u>3,598</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

	2012	2011
	£000	£000
Housing rents	637	435
Council tax	803	830
Other debtors	1,259	1,304
	<u>2,699</u>	<u>2,569</u>

35. DEFERRED LIABILITIES

	2012	2011
	£000	£000
Non-current finance leases	5,573	1,040
AD Waste Limited	1,090	1,025
	<u>6,663</u>	<u>2,065</u>

A finance lease total of £5,573k is due to be paid beyond 2012/13 (£1,040k in 2010/11) as part of the minimum lease payments due as disclosed in note 15 on page 41.

The AD Waste Limited liability £1,090k (£1,025k in 2010/11) in respect of the environmental aftercare of former waste disposal sites, remains on the balance sheet until the company is finally liquidated during 2012/13.

36. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 10.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Council Fund

The Council fund revenue reserves total £39,761k (£34,111k in 2010/11) includes unearmarked balances of £6,468k (£5,962k in 2010/11), earmarked balances of £6,479k (£5,795k in 2010/11), the single status/equal pay balance of £24,156k (£20,380k in 2010/11), and the surpluses generated by locally managed schools of £2,658k (£1,974k in 2010/11). The schools balances are not available for general county purposes.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

36. USABLE RESERVES (continued)**Specific Revenue Reserves**

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

	2012		2011	
	£000	£000	£000	£000
Reserves				
Unearmarked	6,468		5,962	
Earmarked (service balances)	6,479		5,795	
Single status/equal pay	24,156		20,380	
Schools	2,658		1,974	
		39,761		34,111
Specific Reserves				
Supporting people	1,493		1,209	
Waste disposal	811		895	
Insurance funds	931		1,233	
Other (including theatre - see below)	1,436		1,353	
		4,671		4,690
		44,432		38,801

Housing Revenue Account

The housing revenue account reserve surplus of £1,890k (£1,614k in 2010/11) reflects the 2011/12 HRA surplus of £276k (£122k in 2010/11), as detailed on page 72.

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 Cabinet 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 2011/12 the theatre made an operating deficit of £56k (£5k surplus in 2010/11).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

37. UNUSABLE RESERVES

The details of movements on unusable reserves are as follows –

Reserves	2012	2011
	£000	£000
Revaluation reserve	103,661	114,579
Available-for-sale financial instruments reserve	368	254
Capital adjustment account	532,784	574,061
Financial instruments adjustment account	(9,051)	(9,679)
Pensions reserve	(240,834)	(203,303)
Equal pay account	(19,142)	(10,099)
Deferred capital receipts	9	16
Accumulated absences account	(3,738)	(3,598)
Total Unusable Reserves	364,057	462,231

Revaluation Reserve

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

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

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		114,579		112,792
Upward revaluation of assets	9,464		5,661	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(18,682)		(1,431)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(9,218)		4,230
Difference between fair value depreciation and historical cost depreciation	(1,700)		(2,443)	
Accumulated gains on assets sold or scrapped	0		0	
Amount written off to the capital adjustment account		(1,700)		(2,443)
Balance at 31st March		<u>103,661</u>		<u>114,579</u>

Available-for-Sale Financial Instruments Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

37. UNUSABLE RESERVES (continued)**Available-for-Sale Financial Instruments Reserve (continued)**

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		254		240
Upward revaluation of investments	114		14	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0		0	
		114		14
Balance at 31st March		368		254

Pensions Reserve

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

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

The actuarial gains and losses identified as movements on the pensions reserve in 2011/12 are as detailed within the tables included in note 5 on pages 29 to 33 :-

	2012	2011
	£000	£000
Statement of Actuarial (Gains) and Losses -		
Asset (gain)/loss	16,756	6,281
Liability (gain)/loss	20,425	(22,010)
Net (Gain)/Loss	37,181	(15,729)

Capital Adjustment Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

37. UNUSABLE RESERVES (continued)

Note 10 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		574,061		586,629
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(73,461)		(34,039)	
- Amortisation of intangible assets	104		(65)	
- Revenue expenditure funded from capital under statute	(7,791)		(7,597)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(1,540)		(2,104)	
		(82,688)		(43,805)
Long term debtors adjustments		967		1,020
Adjusting amounts written out of the revaluation reserve		1,700		2,443
Net written out amount of the cost of non-current assets consumed in the year		(80,021)		(40,342)
Capital financing applied in the year:				
- Use of the capital receipts reserve	2,858		615	
- Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	23,898		17,782	
- Statutory provision for the financing of capital investment charged against the council fund and HRA balances	6,852		6,315	
- Capital expenditure charged against the council fund and HRA balances	3,875		3,296	
		37,483		28,008
Movements in the market value of investment properties debited or credited to the Comprehensive income and expenditure statement	1,261		(234)	
		1,261		(234)
Balance at 31st March		532,784		574,061

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(9,679)		(11,131)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		(87)	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	628		613	
Impaired investment transfers - Landsbanki	<u>0</u>		<u>926</u>	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		<u>628</u>		<u>1,452</u>
Balance at 31st March		<u>(9,051)</u>		<u>(9,679)</u>

Equal Pay Account

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(10,099)		(4,903)
Increase in provision for equal pay cases	(9,043)		(5,196)	
Cash settlements paid in the year	<u>0</u>		<u>0</u>	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		<u>(9,043)</u>		<u>(5,196)</u>
Balance at 31st March		<u>(19,142)</u>		<u>(10,099)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

37. UNUSABLE RESERVES (continued)**Deferred Capital Receipts**

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

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

	2012	2011
	£000	£000
Council houses	9	16
	<u>9</u>	<u>16</u>

Accumulated Absences Account

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(3,598)		(2,810)
Settlement or cancellation of accrual made at the end of the preceding year	3,598		2,810	
Amounts accrued at the end of the current year	<u>(3,738)</u>		<u>(3,598)</u>	
Amount by which officer remuneration charged to the comprehensive income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<u>(140)</u>		<u>(788)</u>
Balance at 31st March		<u>(3,738)</u>		<u>(3,598)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

38. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2012	2011	2012	2011
	£000	£000	£000	£000
Financial liabilities at amortised cost	172,410	173,744	5,798	1,141
Payables	0	0	30,234	29,922
Total financial liabilities	172,410	173,744	36,032	31,063
Loans	769	304	13,599	10,410
Receivables	2,013	2,002	19,879	18,762
Available-for-sale financial assets	740	626	0	0
Total financial assets	3,522	2,932	33,478	29,172

The balance sheet value of trade payables and other payables amounted to £30,234k (£29,922k in 2010/11) as disclosed above, and trade receivables amounted to £19,879k (£18,762k in 2010/11).

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

	2012				2011			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Total	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	(10,231)	0	0	(10,231)	(9,970)	0	0	(9,970)
Impairment losses	0	361	0	361	0	135	0	135
Interest payable and similar charges	(10,231)	361	0	(9,870)	(9,970)	135	0	(9,835)
Interest income	0	670	0	670	0	535	0	535
Interest and investment income	0	670	0	670	0	535	0	535
Gain on revaluation			0				0	
Deficit arising on revaluation of financial assets			0				0	
Net gain/(loss) for the year	(10,231)	1,031	0		(9,970)	670	0	

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

38. FINANCIAL INSTRUMENTS (continued)

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (in line with the 2010/11 method). The 2011/12 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 2012 (in line with the 2010/11 method).

The 2011/12 Lender Option Borrower Option loans (LOBOs) figure has been calculated in the same way as PWLB, less a 0.65% margin for the value of six monthly options to the lender (again in line with the 2010/11 method).

The fair value of shares and war stock are calculated using the value of undated gilts as published for 31st March 2012.

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:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
PWLB	158,734	223,022	155,576	193,686
LOBOs	19,177	26,480	19,177	22,647
	<u>177,911</u>	<u>249,502</u>	<u>174,753</u>	<u>216,333</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.

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and Receivables				
War stock	15	15	13	13
Shares	725	725	613	613
Long term investments	2,013	2,013	2,002	2,002
	<u>2,753</u>	<u>2,753</u>	<u>2,628</u>	<u>2,628</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

38. FINANCIAL INSTRUMENTS (continued)

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

Risk - Liabilities

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

38. FINANCIAL INSTRUMENTS (continued)

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

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in debt costs of £142k. If rates were to fall by 1%, costs would decrease by £127k.

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

- Investments of more than 1 year (or in Money Market Funds), 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 :-

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

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £100k. If rates fell by 1%, there would be a loss of income for the same amount.

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

Bonds -

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

Shares -

The Council's shareholding in 2011/12 related to AD Waste Limited; there is no longer a credit risk involved as the company came in house during 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

39. FOUNDATION SCHOOLS

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

40. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The County Council administered 25 education trust funds during 2011/12, each consisting of relatively small sums of money received from individuals and invested in order to provide an annual income for prizes etc. The administration of 4 funds was transferred to their associated schools during 2011/12; the remaining 21 funds are under review. The total fund balance at 31st March 2012 was £277,394 (£280,453 in 2010/11), 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 2012 was £130,474 (£137,447 in 2010/11), and is not included in the balance sheet.

The Council is responsible for the management and maintenance of St. Margaret's Cemetery, Rhewl. This registered charity has three bank accounts with a total current value of £357 (also £357 in 2010/11). 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 2012 the fund balance was £577,424 (£577,867 in 2010/11), Flintshire having an unused income balance of £548 (£3,383 in 2010/11). These figures are not reflected in the balance sheet.

The Community Services Directorate - Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to cope with their financial affairs due to their mental incapacity; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31st March 2012 was £2,588k in 306 separate accounts (£2,246k in 295 accounts in 2010/11).

41. CONTINGENT LIABILITY

The Council is 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, and whilst it is too early to determine what that position is likely to be, an offer has been made to relevant trade unions to discuss the potential for settling the claims; the settlement costs will be made from the single status/equal pay reserve. There are a number of other claims against the Council, some of which are expected to proceed through the courts and tribunals; but with one exception, adverse decisions are not anticipated at this stage.

Municipal Mutual Insurance Ltd (MMI)

MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off is unlikely to be achieved then the scheme will be triggered and the scheme Creditors would be subject to a claw back. The size of the claw back depends on the amount paid to the Creditors since September 1993. Subsequent to this claw back, any liabilities or elective defence costs payments made by MMI will be made at a reduced rate, leaving their Creditors to fund the shortfall.

In March 2012, the Supreme Court issued its decision, drawing an end to the Employers' Liability Insurance "Trigger" Litigation. The ruling essentially reinstates the approach to handling and allocating employers' liability claims that the insurance market had adopted up to 2005. Policies, whether they are sustained or causation wordings, respond as at the date of initiation or causation of the disease or injury, i.e. at the time of exposure.

The MMI accounts for the year to 30 June 2011 showed a deficit of liabilities over assets and MMI are still receiving a significant volume of new claims, particularly in the areas of mesothelioma and alleged abuse. A letter sent by the Chairman of MMI to all scheme members reporting on the outcome of the Supreme Court hearing states: *The Board of Directors is now seeking legal, financial and actuarial advice in order to determine the full implications of the judgement and the most appropriate way forward.*

To date MMI have not triggered the scheme of arrangement.

42. CONTINGENT ASSET

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

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

43. HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTIONS

County Archives

Flintshire Record Office holds the historic and administrative archives for the County of Flintshire. These comprise some two miles of records dating from the 13th Century to the present day and are held for the express purpose of ensuring their preservation, and providing public access to information recording the county's heritage.

Records held include central and local government records but also privately owned records such as records of landed estates, businesses, local societies, family papers etc., together with significant collections of records of Flintshire churches and local schools. The largest private collections are the Mostyn Estate and Chester solicitors Birch Cullimore (part only of their huge collection of clients' papers – those relating to Flintshire); the significance of the archives held are generally in the collections as a whole rather than individual items.

Flintshire Record Office acquires archive material relating to Flintshire which is deemed to be of lasting historical interest. Material acquired is kept in secure, environmentally controlled strong rooms and made accessible to the public in a supervised search room. The Record Office has a qualified archive conservator who packages and repairs material as necessary. Archive material is rarely disposed of - should it be deemed desirable to do so it is dealt with in accordance with any applicable legal requirements and where possible in consultation with the original donor or depositor.

Public access is available in the search-room which is open Monday, Tuesday, Thursday and Friday, 10am to 4.30pm. Information regarding the records held (and some images) are included on the Record Office's pages on the Flintshire County Council website. There is also a presence on a number of other websites – Archives Wales; National Grid for Learning Cymru; The National Archives, and there are plans to mount images on the People's Collection Wales website.

County Museum

The Museum Service works to an Acquisition and Disposal Policy which complies with the National Museum Accreditation Scheme. In outline, the Service collects items only of relevance to the history of the County of Flintshire and only disposes of items for sound curatorial reasons and in line with strict guidelines. The Service's Collection Management Plan governs the way in which the collection is cared for, made accessible and generally managed. The collection is catalogued on a collections management system, which will be made publicly accessible online in the near future.

The museum collection is listed comprehensively on a database and primarily consists of social history and archaeological collections, the most significant of which is the collection of Buckley Pottery - a collection of about 1000 items connected to the Buckley Pottery industry, ranging from the medieval period to the second world war, primarily donated by Dr. Fraser in the 1970s, James Bentley in the 1990s and the Martin Harrison Collection purchased in 2010. Buckley Pottery has national significance, and as a whole this collection is the largest of its type.

There is a collection of agricultural items primarily acquired by Delyn Borough Council in the 1980s, the majority of which is now loaned to Greenfield Valley Trust. It is of significance to local agricultural history, mainly nineteenth and early twentieth century in date and includes large items such as ploughs, threshers and other farm equipment.

Some art is included within the collection - over 100 paintings by local amateur artist James Bentley, of relevance to Buckley history, and about a dozen other paintings by local artists. There are 2 large civic portrait oil paintings currently displayed at the Mold Library Headquarters.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

Significant archaeological archives include those from excavations at Caergwrle Castle, Flint Castle, and Pentre Farm, Flint. The Gilbert Smith Archaeological Collection consists of about 650 items originally acquired by the amateur archaeologist Gilbert Smith in the 1930s. Highlights include a group of weapons from the medieval moated site of Llys Edwin, excavated in the 1930s.

Access to the Buckley and the Mold Museum is free of charge and both are open 6 days a week, all year round. Greenfield Valley Heritage Park is managed by a charitable Trust and there is an entry charge to the museum. Access to the reserve collections is encouraged and available by way of appointment.

44. JOINT ARRANGEMENTS

Flintshire County Council is currently involved in four joint arrangements with neighbouring North Wales Councils, being :-

- North East Wales Community Equipment Service (with Wrexham)
- North East Wales Food Waste Hub (with Conwy and Denbighshire)
- North Wales Residual Waste Treatment Project (with Anglesey, Conwy, Denbighshire and Gwynedd)
- North Wales Procurement Partnership (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)

Flintshire County Council is the host partner for the North East Wales Community Equipment Service (details of which are provided in note 18 on page 44), and the North Wales Residual Waste Treatment Partnership (NWRWTP).

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items :

	2012	2011
	£000	£000
Interest received	607	820
Interest paid	(6,446)	(9,910)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012	2011
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(30,420)	(22,335)
Purchase of short term and long term investments	(2,613)	(5,479)
Other payments for investing activities	(565)	(305)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,622	2,024
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	17,939	20,021
Net cash flows from investing activities	<u>(13,037)</u>	<u>(6,074)</u>

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012	2011
	£000	£000
Cash receipts of short term and long term borrowing	324	262
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(451)	232
Repayment of short term and long term borrowing	(66)	0
Other payments for financing activities	0	0
Net cash flows from financing activities	<u>(193)</u>	<u>494</u>

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2012

	2012		2011	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		9,111		9,124
Management and supervision		3,058		2,693
Rents, rates, taxes and other charges		997		816
Housing revenue account subsidy payable		6,311		6,391
Depreciation and impairment of non-current assets		23,861		6,873
Debt management costs		15		16
Increase in bad debt provision		272		166
Total expenditure		43,625		26,079
Income				
Dwelling rents (gross)	24,316		23,179	
Non-dwelling rents (gross)	286		279	
		24,602		23,458
Charges for services and facilities		610		600
Total income		25,212		24,058
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		18,413		2,021
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		136		142
Net cost of HRA services		18,549		2,163
Interest payable and similar charges		1,436		1,509
Net loss on sale of HRA assets		0		465
HRA investment income		(9)		(8)
Pensions interest cost and expected return on pension assets		373		469
Total (surplus)/deficit on the HRA Income and Expenditure Statement		20,349		4,598

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT
for the year ended 31st March 2012

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

	Note (from core notes)	2011 £000	2010 £000
At 1st April 2011		1,614	1,492
Surplus/(deficit) on the HRA income and expenditure statement		(20,349)	(4,598)
Total comprehensive income and expenditure		(20,349)	(4,598)
Adjustments between accounting and funding basis under regulations	10	20,625	4,720
Net increase/(decrease) before transfer to earmarked reserves		276	122
Transfers to/(from) earmarked reserves		0	0
Increase/(decrease) in year on the HRA		276	122
At 31st March 2012		<u>1,890</u>	<u>1,614</u>

The 2011/12 balance carried forward total includes a ringfenced surplus of £33k relating to the tenants' communal heating scheme (£128k surplus in 2010/11).

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

for the year ended 31st March 2012

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 2012 were :-

Type	2012 No.	2011 No.
Houses	4,084	4,089
Flats	1,376	1,377
Maisonettes	199	199
Bungalows	1,796	1,796
	<u>7,455</u>	<u>7,461</u>

3. RENT ARREARS

Analysis of arrears	2012 £000	2011 £000
Rents		
Current tenants	848	802
Former tenants	325	177
	<u>1,173</u>	<u>979</u>
Provision for impairment losses (bad debts)		
	£000	£000
Opening provision	481	599
Written off in year	(108)	(284)
Increase in provision	272	166
	<u>645</u>	<u>481</u>

The rents total of £1,173k (£979k in 2010/11) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

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

4. NON-CURRENT ASSET ACCOUNTING

Capital Financing

Housing revenue account capital expenditure of £10,348k (£8,205k in 2010/11) was financed as follows :-

	Capital Receipts	Capital Grants & Contributions	Revenue Contributions	Total
	£000	£000	£000	£000
Capital financing	1,666	5,510	3,172	10,348
	1,666	5,510	3,172	10,348

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,200k) is the 2011/12 MRA allocation figure of £5,200k (also £5,200k in 2010/11). The MRA allocation figure is included within the government grants – general line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2011/12 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £325k (£1,287k in 2010/11) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	2012	2011
	£000	£000
Council dwellings	318	585
Mortgages	7	17
Land sales	0	685
	325	1,287

Depreciation

Straight line depreciation is provided for on all housing revenue account non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,220k (£5,208k in 2010/11) is based on the 2011/12 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2012	2011
	£000	£000
Dwellings	5,200	5,200 (equating to the value of MRA)
Garages	10	0
Plant and equipment	10	8
	5,220	5,208

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA dwellings impairment adjustment total of £1,808k was accounted for in 2011/12 (£1,604k in 2010/11). Revenue expenditure funded from capital under statute amounted to £50k in 2011/12 (nil in 2010/11).

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. The administration and investment strategy of the Fund is considered and agreed each quarter by the Clwyd Pension Fund Panel, consisting of five elected Members, the Head of Finance, the Clwyd Pension Fund Manager, a consultant to the Fund, and a scheme member observer. The Fund's investment management arrangements were implemented by twelve investment managers during 2011/12.

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 funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31st March 2012. Employee contributions are matched by employer's contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31st March 2010. The benefits of the scheme are prescribed nationally by Regulations made under the Superannuation Act 1972.

The fund is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:

- The LGPS (Benefits , Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009

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

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

The membership of the Fund as at 31st March 2012 is shown below:-

	2012	2011
	No.	No.
Contributors	14,519	14,960
Pensioners :		
Ex employees	8,071	7,641
Widows/dependants	1,482	1,450
Preserved benefits	7,386	6,910
Total membership	<u>31,458</u>	<u>30,961</u>

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

The scheduled bodies which contributed to the Fund during 2011/12 are :-

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

The admitted bodies contributing to the Fund are :-

Other: Careers Wales, Cartref y Dyffryn Ceiriog, Denbighshire Voluntary Services,
 Clwyd Leisure, Bodelwyddan Castle Trust, Grosvenor Facilities Management.

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 for employers and member representatives each November.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year end as at 31st March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is, disclosed at Note 15 of these accounts.

In summary, accounting policies adopted are detailed as follows:

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

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

	Note	2012		2011	
		£000	£000	£000	£000
Contributions and Benefits					
Contributions receivable :					
From employers	1	50,654		51,433	
From employees or members	1	14,315		15,102	
			64,969		66,535
Transfers in		4,952		9,801	
Other income		1,636		1,622	
			6,588		11,423
				71,557	77,958
Benefits payable :					
Pensions	1	41,563		39,479	
Lump sums (retirement)	1	10,844		12,953	
Lump sums (death grants)	1	1,382		1,152	
			53,789		53,584
Payments to and on account of leavers :					
Refunds of contributions		12		10	
Transfers out (individual)		3,034		4,690	
Transfers out (bulk)	10	23,530		0	
Other		96		213	
Administrative and other expenses borne by the scheme	2	1,244		1,262	
			27,916		6,175
				81,705	59,759
NET ADDITIONS (WITHDRAWALS)				(10,148)	18,199
Returns on Investments					
Investment income	4		3,326		2,898
Change in market value of investments (Realised and Unrealised)	4		21,097		79,965
Investment management expenses	2		(5,267)		(5,080)
NET RETURNS ON INVESTMENT				19,156	77,783
NET (DECREASE)/INCREASE IN THE FUND				9,008	95,982
OPENING NET ASSETS OF THE SCHEME				1,051,815	955,833
CLOSING NET ASSETS OF THE SCHEME				1,060,823	1,051,815

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

	Note	2012 £000	2011 £000
Net Assets Statement			
Investment Assets :	5		
Managed fixed interest fund		170,075	123,024
Managed UK equity funds		104,624	161,383
Managed overseas equity funds		334,145	263,366
Managed multi strategy funds		118,080	88,318
Property funds		75,307	65,317
Infrastructure funds		23,414	20,753
Timberland funds		14,686	12,212
Commodity funds		36,879	39,814
Private equity funds		122,317	112,563
Hedge fund of funds		47,321	50,646
Leveraged loans		530	16,346
Futures contracts		0	665
Other investment assets	9	3	1,218
Cash	7	36,476	97,373
Investment Liabilities :			
Futures contracts		0	(169)
Other investment liabilities	9	0	(1,195)
Current Assets :			
Due within 1 year	8	3,703	4,157
Due over 1 year	8	200	359
Current liabilities	8	(26,937)	(4,335)
NET ASSETS AT 31ST MARCH		1,060,823	1,051,815

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

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 2011/12 amounted to £50.654m (£51.433m in 2010/11). This comprised an amount of £26.663m (£29.823m in 2010/11) relating to the common contribution rate average of 12.5% paid by all employers and £23.991m (£21.610m in 2010/11) relating to the individual adjusted rates and additional contributions paid in respect of deficit funding for individual employers.

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

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

	Benefits Payable	Contributions Receivable
Scheduled Bodies -	£000	£000
Flintshire County Council	19,558	22,013
Wrexham County Borough Council	15,665	20,418
Denbighshire County Council	13,157	15,803
Fund apportionment with :		
Gwynedd and Powys County Councils	2,448	0
Colleges	1,702	4,300
Schools	83	120
Community Councils	152	228
Others - scheduled bodies	527	1,203
Others - admitted bodies	497	884
	53,789	64,969

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.

Flintshire County Council, Wrexham County Borough Council and Denbighshire County Council have recognised a liability, in their respective accounts, for pension contributions on the back pay element of their equal pay settlements. However, as a result of the uncertainty relating to the value and timing of these payments, these amounts have not yet been recognised in the Pension Fund accounts.

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 :-

	2012	2011
	£000	£000
Administration Expenses		
Employee Costs	567	589
Support Services	189	167
Supplies and Services	395	217
Audit Fees	35	36
Actuarial Fees	58	131
Performance Monitoring Fees	0	24
Consultancy Fees	0	98
	1,244	1,262
Investment Expenses		
Fund Management Fees	5,155	5,027
Custody Fees	39	53
Performance Monitoring Fees	24	0
Consultancy Fees	49	0
	5,267	5,080
Total Fees	6,511	6,342

Investment management fees are based on valuations of the investments. The Fund is invested in pooled vehicles of which the majority of fees are charged within the Funds. In order to be transparent, the Fund discloses these fees. The fees included in the Pooled Vehicles amounted to £4.9m during the year (£3.9 during 2010/11).

3. INVESTMENTS AND PERFORMANCE

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

The County Council uses the investment performance services of the WM Company. Their report for the financial year 2011/12 showed that the Fund achieved an overall return of +2.4% from its investments (+7.8% in 2010/11). This compares with the Fund's benchmark return of +4.4% for the year.

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

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

Transactions and Return on Investments

Details of the 2011/12 investment transactions and the net profit on sales of £7.907m (£44.275m in 2010/11) together with investment income of £3.326m (£2.898m in 2010/11) are set out below. The unrealised profit for 2011/12, as a result of the change in the market value of investments, amounted to £13.190m (£35.690m in 2010/11). Therefore the increase in market value of investments (realised and unrealised) is £21.097m (£79.965m in 2010/11).

Direct transaction costs are included in the cost of purchases and sale proceeds. Transaction costs are incremental costs that are directly attributable to the acquisition and disposal of an investment. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. They are added to purchase costs or netted against sales proceeds, as appropriate. These costs cannot be directly identified as the Clwyd Pension Fund is almost wholly invested through pooled vehicles. Investment income includes share dividends, interest on investments and net property rental income. Accruals are made for dividends receivable, interest receivable and the recoverable tax on dividends.

	Market Value 2010/11 £000	Purchases & Take On £000	Sales & Take Off £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2011/12 £000	Investment Income £000
Fixed Interest Securities	123,024	27,129	0	0	19,922	170,075	0
UK Equities Active	63,659	0	63,935	(6,407)	6,683	0	97
UK Equities Passive	97,724	5,000	0	0	1,900	104,624	0
Overseas Equities Active	174,219	101,434	25,160	1,384	(5,884)	245,992	106
Overseas Equities Passive	89,147	5,000	5,917	917	(995)	88,152	0
Multi Strategy	88,318	29,109	(13)	(13)	652	118,080	0
Property	65,317	13,241	4,743	(1,377)	2,869	75,307	1,903
Infrastructure	20,753	4,444	2,319	0	536	23,414	268
Timber	12,212	2,671	413	0	216	14,686	0
Commodities	39,814	21,000	20,786	744	(3,893)	36,879	0
Private Equity	112,563	21,322	12,394	2,063	(1,237)	122,318	796
Hedge Fund of Funds	50,646	0	918	99	(2,506)	47,321	13
Leveraged Loans	16,346	0	15,547	4,308	(4,577)	530	0
	953,742	230,350	152,119	1,718	13,686	1,047,378	3,183
Cash	97,373	0	0	0	0	36,476	0
Futures Contracts	496	0	0	1,345	(496)	0	0
Fees within Pooled Vehicles	0	0	0	4,927	0	0	0
Interest	0	0	0	0	0	0	143
Currency	0	0	0	(83)	0	0	0
	97,869	0	0	6,189	(496)	36,476	143
Total 2011/12	1,051,611	230,350	152,119	7,907	13,190	1,083,854	3,326
2010/11	953,195	698,740	771,446	44,275	35,690	1,051,611	2,898

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

	Market Value 2009/10 £000	Purchases & Take On £000	Sales & Take Off £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2010/11 £000	Investment Income £000
Fixed Interest Securities	111,825	18,082	17,995	70	11,042	123,024	0
UK Equities Active	241,446	151,557	345,516	(7,564)	23,736	63,659	254
UK Equities Passive	0	97,753	0	0	(29)	97,724	0
Overseas Equities Active	271,001	230,463	347,474	45,637	(25,407)	174,219	521
Overseas Equities Passive	0	89,237	0	0	(90)	89,147	0
Multi Strategy	44,318	41,276	0	0	2,724	88,318	0
Property	52,077	12,861	3,566	0	3,945	65,317	1,778
Infrastructure	16,243	4,087	365	0	788	20,753	213
Timber	11,120	1,141	175	0	126	12,212	0
Commodities	14,847	20,042	0	0	4,925	39,814	0
Private Equity	86,810	24,241	12,253	1,638	12,127	112,563	62
Hedge Fund of Funds	52,121	8,000	12,325	(1,008)	3,858	50,646	0
Currency	28,400	0	26,612	860	(2,648)	0	0
Leveraged Loans	20,043	0	5,165	1,361	97	16,346	0
	<u>950,251</u>	<u>698,740</u>	<u>771,446</u>	<u>40,994</u>	<u>35,194</u>	<u>953,742</u>	<u>2,828</u>
Cash	2,944	0	0	0	0	97,373	0
Futures Contracts	0	0	0	(656)	496	496	0
Fees within Pooled Vehicles	0	0	0	3,900	0	0	0
Interest	0	0	0	0	0	0	70
Currency	0	0	0	37	0	0	0
	<u>2,944</u>	<u>0</u>	<u>0</u>	<u>3,281</u>	<u>496</u>	<u>97,869</u>	<u>70</u>
Total 2010/11	<u>953,195</u>	<u>698,740</u>	<u>771,446</u>	<u>44,275</u>	<u>35,690</u>	<u>1,051,611</u>	<u>2,898</u>
2009/10	<u>692,179</u>	<u>88,962</u>	<u>64,791</u>	<u>11,192</u>	<u>230,435</u>	<u>953,195</u>	<u>2,466</u>

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

The book cost of the investments as at 31st March is £936.363m (£856.413m in 2010/11). The market value of investments as at 31st March 2012 is £1,047.378m (£953.742m in 2010/11) which can be analysed as follows.

By Continent

The UK holdings as at 31st March 2012 account for 18% of total investments at market value

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

	2012	2011
	£000	£000
UK	188,638	254,729
Europe	123,678	114,927
Asia Pacific	102,693	79,608
North America	87,017	78,688
Emerging markets	73,290	72,463
Global Investments	472,062	353,327
	<u>1,047,378</u>	<u>953,742</u>

By Fund Manager

	2012		2011	
	£000	%	£000	%
BlackRock	58,295	6	59,043	6
Gottex	0	0	61,415	7
Wellington	110,168	11	66,165	7
Aberdeen	72,862	7	50,075	5
State Street (Transition Manager)	134	0	48,512	5
Pioneer	2,974	0	3,645	0
Liongate	21,467	2	23,269	2
SSARIS	22,880	2	23,732	3
Duet	47,227	5	0	0
BlueCrest	29,309	3	0	0
Investec	52,480	5	51,525	5
Stone Harbor	170,075	16	123,024	13
SSgA	192,776	18	186,871	20
Pyrford	30,476	3	29,275	3
Property	75,307	7	65,317	7
Infrastructure	23,414	2	20,753	2
Timber	14,686	1	12,212	1
Private Equity	122,318	12	112,563	12
Leveraged Loans	530	0	16,346	2
	<u>1,047,378</u>	<u>100</u>	<u>953,742</u>	<u>100</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

By Listed /Managed

	2012			2011		
	Listed Managed	Listed	Unlisted	Listed Managed	Listed	Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	170,075	0	0	123,024
UK Equities	104,624	0	0	97,724	2,244	61,415
Overseas Equities	281,531	134	52,480	211,685	156	51,525
Multi Strategy	118,080	0	0	88,318	0	0
Property	43,615	0	31,691	42,551	0	22,766
Infrastructure	0	4,287	19,127	0	3,965	16,788
Timber	0	0	14,686	0	0	12,212
Commodities	0	0	36,879	0	0	39,814
Private Equity	0	4,170	118,148	0	4,922	107,641
Hedge Fund of Funds	0	0	47,321	0	0	50,646
Leveraged Loans	0	0	530	0	0	16,346
	<u>547,850</u>	<u>8,591</u>	<u>490,937</u>	<u>440,278</u>	<u>11,287</u>	<u>502,177</u>
			<u>1,047,378</u>			<u>953,742</u>

6. FAIR VALUE OF INVESTMENTS

Financial Instruments

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

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). It is effectively a trading activity to generate income rather than an investment. The Fund has no direct exposure to stock lending but the Fund's passive equity manager does use stock lending in its pooled vehicles to generate income as an offset to transaction costs.

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2012 on the following bases.

- UK and overseas listed securities are valued within the respective pooled vehicles using the official bid prices quoted on the relevant stock exchange. Overseas holdings are converted to sterling at an exchange rate quoted at close of business on 31st March 2012.
- Unit trusts are valued at the bid market price.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

6. FAIR VALUE OF INVESTMENTS (continued)

- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31st March 2012. Where a bid price is not available the assets are priced at the net asset value provided.
- Property funds are valued at the bid market price, which is based upon regular independent valuation of the pooled vehicle's underlying property holdings.
- Private equity holdings are interests in limited partnerships. It is important to recognise the highly subjective nature of determining the fair value of these investments. They are inherently based on forward looking estimates and judgements involving many factors. These holdings are valued based upon the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective managers. Where these valuations are not at the Fund's balance sheet date, the valuations are adjusted having due regard to the latest dealings, asset values and other financial information available at the time of preparing these statements in order to reflect the Fund's balance sheet date. The managers' valuation statements are prepared in accordance with the European Private Equity and Venture Capital Association (EVCA) Guidelines, net of carried interest. These incorporate the US-based FAS157 protocol on valuation approaches –
 - Market – uses prices and other relevant data generated by market transactions involving identical or comparable assets/liabilities (e.g. money multiples)
 - Income – uses valuation techniques to convert expected future amounts to a single present amount (discounted cash flows or earnings)
 - Cost – based upon the amount that currently would be required to replace the service capacity of an asset (adjusted for obsolescence)

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

- Infrastructure investments are generally carried at the lower of cost and fair value, except where there are specific upward or downward valuations. In estimating fair value, managers use their judgement, having regard to the EVCA guidelines noted above for valuing unquoted investments. Upward valuations are considered only where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted regardless of the investment stage where the manager considers that there is impairment to the underlying investment.
- Timberland investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by underlying managers or vehicles. In circumstances where audited financial statements are not available to 31st March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

6. FAIR VALUE OF INVESTMENTS (continued)

- Commodity exposure is actively managed through the use of exchange traded and OTC derivative instruments (Futures, Options and Swaps) and some securities. Exchange traded derivatives are priced using a vendor file sent daily from Bloomberg with IDC as a second source. These prices are sourced directly from the derivative exchanges. Options receive the last trade price on the primary exchange. If an option does not trade, the bid price is utilized to value the option. Valuations for OTC options are sourced from brokers/dealers that are usually the counterparty to the deal. If the necessary inputs are available from vendors on a schedule that permits same day pricing, OTC options may be valued using a vendor-supplied option calculator, with the dealer price used to validate the model results. Residual cash is primarily invested in short-dated investment-grade, US dollar-denominated debt obligations.
- Funds of hedge funds and multi-strategy hedge funds are valued monthly to create a net asset value on the basis of the Fund's proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the Fund's investment in a related pool represents the amount that the Fund could be reasonably expected to receive from the pool if the Fund's investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.
- GTAA funds invest for the most part in markets that are not exchange-based. These include OTC or "interdealer" markets and leverage is utilized by such funds to a significant level. If market prices are not available or do not reflect current market prices, the Fund applies its own pricing policies by reference to such relevant prices as are available to establish a fair value for the assets held.

Fair Value – Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

6. FAIR VALUE OF INVESTMENTS (continued)

The following tables show the position of the Fund's assets at 31st March 2012 and 31st March 2011 based upon this hierarchy.

	Market Value 2011/12 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	170,075	323	169,752	0
UK Equities Active	0	0	0	0
UK Equities Passive	104,624	0	104,624	0
Overseas Equities Active	245,992	234,896	9,736	1,360
Overseas Equities Passive	88,152	0	88,152	0
Multi Strategy	118,080	65,671	52,351	58
Property (1)	75,307	0	0	75,307
Infrastructure (1)	23,414	4,287	0	19,127
Timber (1)	14,686	0	0	14,686
Commodities	36,879	18,635	18,244	0
Private Equity (2)	122,318	4,170	0	118,148
Hedge Fund of Funds	47,321	0	39,545	7,776
Leveraged Loans	530	0	0	530
	<u>1,047,378</u>	<u>327,982</u>	<u>482,404</u>	<u>236,992</u>
Cash	36,476	36,476	0	0
Futures Contracts	0	0	0	0
	<u>36,476</u>	<u>36,476</u>	<u>0</u>	<u>0</u>
Total 2011/12	<u><u>1,083,854</u></u>	<u><u>364,458</u></u>	<u><u>482,404</u></u>	<u><u>236,992</u></u>

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

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

Although the majority of the investments within the Fund are unlisted, the underlying investments of those funds are listed. Within the Private Equity and Leveraged loans and Property/infrastructure/timber portfolios, although some are listed, the Fund does have substantial holdings in unquoted investments (£227.798m) compared to £218.304m in 2010/11. These are valued at a fair value by the fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgement, and due to the subjectivity and variability of these valuations there is an increased likelihood that the valuations included in the financial statements would not be realised in the event of a sale. The difference could be materially lower or higher.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

6. FAIR VALUE OF INVESTMENTS (continued)

	Market Value 2010/11 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	123,024	104,251	1,341	17,432
UK Equities Active	63,659	24,562	30,425	8,672
UK Equities Passive	97,724	0	97,724	0
Overseas Equities Active	174,219	173,209	5	1,005
Overseas Equities Passive	89,147	0	89,147	0
Multi Strategy	88,318	72,810	15,278	230
Property (1)	65,317	0	0	65,317
Infrastructure (1)	20,753	3,965	0	16,788
Timber (1)	12,212	0	0	12,212
Commodities	39,814	20,814	19,000	0
Private Equity (2)	112,563	4,922	0	107,641
Hedge Fund of Funds	50,646	215	45,584	4,847
Leveraged Loans	16,346	0	0	16,346
	953,742	404,748	298,504	250,490
Cash	97,373	97,373	0	0
Futures Contracts	496	0	496	0
	97,869	97,373	496	0
Total 2010/11	1,051,611	502,121	299,000	250,490

7. INVESTMENT RISKS

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

Procedures for Managing Risk

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

7. INVESTMENT RISKS (continued)

The Fund carries out a formal review of its structure at least every 4 years, usually every 3 years. The last review was carried out in 2010 and implemented in April 2011. The Fund's optimisation model, used to help determine the Fund's strategic benchmark, suggests that the asset mix so determined coupled with the requirements for certain fund managers to outperform their market indices should produce long-term returns of just over 9% with a volatility of around 10%. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore alternative assets are subject to their own diversification requirements and some examples are given below.

- private equity – by stage, geography and vintage where funds of funds are not used
- property – by type, risk profile, geography and vintage (on closed-ended funds)
- infrastructure – by type (primary/secondary), geography and vintage
- hedge funds – multi-strategy or funds of funds

Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 19% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investment are through pooled vehicles and a number of these are involved in derivative trades of various sorts, including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk. Once appointed, managers are required to provide copies of their annual internal control reports for review to ensure that the standards expected are maintained.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's minimum credit criteria.

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

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

The Fund believes it has managed its exposure to credit risk and has no experience of default or uncollectible deposits in the last three financial years. The Fund's cash holdings as at 31st March 2012 was £36.476m (£97.373m at 31st March 2011) This was held as follows:

	Rating	2012 £000	2011 £000
Money Market Funds			
BlackRock	AAA	476	485
StateStreet	AAA	0	15,384
Bank of New York Mellon	AAA	665	78,058
Bank Deposit Accounts			
National Westminster Bank PLC	AA	32,553	3,413
Bank Current Accounts			
National Westminster Bank PLC	AA	2,782	33
		36,476	97,373

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

- The Fund's bond portfolio is managed on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2012, the Fund's exposure to non-investment grade paper was £56.5 million or 33.2% of the fixed interest portfolio (30.4% at 31st March 2011).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.
- The Fund also has residual "side pocketed" holdings with some managers which are currently illiquid. Details of these holdings are set out below:

	Book Cost £000	Market Value £000
Leveraged Loan - ECM	1,934	530
Hedge Fund of Funds - Pioneer	2,603	2,974
Total	4,537	3,504

Liquidity Risk

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 58% of the Fund's value and, whilst there will be some slightly less liquid elements within this figures (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

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

The table below analyses the value of the Fund's investments at 31st March 2012 by liquidity profile.

	Market Value 2011/12	1 Month	2 - 3 Months	3 - 6 Months	6 - 12 Months	Closed - ended	Locked
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	170,075	170,075	0	0	0	0	0
UK Equities Passive	104,624	104,624	0	0	0	0	0
Overseas Equities Active	245,992	242,079	3,913	0	0	0	0
Overseas Equities Passive	88,152	88,152	0	0	0	0	0
Multi Strategy	118,080	118,080	0	0	0	0	0
Property	75,307	0	0	0	33,585	41,722	0
Infrastructure	23,414	4,287	0	0	0	19,127	0
Timber	14,686	0	0	0	0	14,686	0
Commodities	36,879	36,879	0	0	0	0	0
Private Equity	122,318	4,170	0	0	0	118,148	0
Hedge Fund of Funds	47,321	2,705	8,823	27,474	5,345	0	2,974
Leveraged Loans	530	0	0	0	0	0	530
	1,047,378	771,051	12,736	27,474	38,930	193,683	3,504

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 6-12 months".

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2012. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation.

As can be seen from the table, even using the conservative basis outlined above, around 74% of the portfolio is realisable within 1 month and 75% is realisable within 3 months.

Market Risk

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

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

The following table sets out an analysis of the Fund's market risk positions at 31 March 2012 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark and managers' maximum target volatility (or risk) against index in achieving this. This target volatility is a measure of the maximum degree of dispersion of likely results compared with the selected benchmark.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

	Manager	Market Value 2011/12 £000	Benchmark	Target (Gross)	Risk (<) %
Fixed Interest Securities	Stone Harbor	170,075	FT All Stocks	+1.5%	4.0
UK Equities–passive	SSgA	104,624	FTSE All Share	Match	0.5
Foreign equities–active	Investec	52,480	MSCI AC World NDR	+3.5%	10.0
	Aberdeen	72,862	MSCI AC Asia/P ex Japan	+3.0%	12.0
	Wellington	73,289	MSCI EM Free	+2.5%	8.0
	Duet	47,227	Absolute	+8-10%	3.0
	SSgA	26,388	FTSE AWD Europe ex UK	Match	0.5
Foreign equities–passive	SSgA	31,933	FTSE AWD North America	Match	0.5
	SSgA	29,831	FTSE AWD Japan	Match	0.5
	BlackRock	58,295	7 day LIBID	+15.0%	20.0
Multistrategy funds	BlueCrest	29,309	Absolute	+10-15%	6.0
	Pyrford	30,476	RPI	+5.0%	8.0
	Liongate	21,467	Absolute	+8-10%	6.0
Hedge fund of funds	SSARIS	22,880	Absolute	+8-10%	5.0
	Pioneer	2,974	Absolute	+8-10%	4.0
	Wellington	36,879	GCSI Equally Weighted	+1.5%	4.0
Commodity fund	Various	75,307	IPD Balanced PUTs	Exceed	
Property funds	Various	23,414	Absolute	+15.0%	
Infrastructure funds	Various	14,686	Absolute	+15.0%	
Timber funds	Various	122,318	Absolute	+15.0%	
Private equity funds	Various	530	7 day LIBID	+15.0%	
Leveraged loans	Various	134	Temporary holdings		
Transition	Custodian				
		<u>1,047,378</u>			

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation model, is designed to diversify and minimise risk for a specific level of performance through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current strategic benchmark is targeted to produce long-term returns of just over 9% with a volatility of around 10%.

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

	Market Value 2012 £000	Managers No.	Funds No.	Properties / Companies Estimated No.
Real Assets	113,406	19	31	>280
Private Equity	122,317	19	53	>4,000

Other Price Risk

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

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

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurer, WM Company, the fund has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	14.7%
UK Equity	17.5%
Oveseas Equity	15.5%
Global Fixed Income	5.4%
Alternatives	3.9%
Property	6.0%

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

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

Asset Type	Market Value 2011/12	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	36,476	0.0	36,476	36,476
Investment portfolio assets:-				
Global Equity inc UK	99,709	14.7	114,396	85,022
UK Equity	104,624	17.5	122,965	86,283
Overseas Equity	234,437	15.5	270,798	198,076
Global Fixed Income	170,075	5.4	179,310	160,840
Alternatives	363,226	3.9	377,501	348,951
Property	75,307	6.0	79,833	70,781
	<u>1,083,854</u>		<u>1,181,279</u>	<u>986,429</u>

Asset Type	Market Value 2010/11	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	97,373	0.0	97,373	97,373
Investment portfolio assets:-				
Global Equity inc UK	51,526	14.7	59,116	43,936
UK Equity	161,383	17.5	189,673	133,093
Overseas Equity	211,840	15.5	244,696	178,984
Global Fixed Income	123,024	5.4	129,704	116,344
Alternatives	340,652	3.9	354,040	327,264
Property	65,317	6.0	69,243	61,391
Net Derivative Assets	496	0.0	496	496
Amounts payable for Purchases	-1,195	0.0	-1,195	-1,195
	<u>1,050,416</u>		<u>1,143,146</u>	<u>957,686</u>

Interest Rate Risk

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

The Fund recognizes that interest rates can vary and affect both the income to the fund and the net assets available to pay benefits. The Fund's Fixed Income manager has advised that they would expect a small change of 50 basis points (bps) from one year to the next. As the fund does not use Fixed Income securities to provide income, the following sensitivity analysis only refers to cash and cash balances.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

Asset Type	Carrying Value	Change in year in net assets available to pay benefits	
	2011/12	+50BPS	-50BPS
	£000	£000	£000
Cash and cash equivalents	1,141	6	(6)
Cash balances	35,335	176	(176)
	<u>36,476</u>	<u>182</u>	<u>(182)</u>

Asset Type	Carrying Value	Change in year in net assets available to pay	
	2010/11	+50BPS	-50BPS
	£000	£000	£000
Cash and cash equivalents	93,928	469	(469)
Cash balances	3,445	17	(17)
	<u>97,373</u>	<u>486</u>	<u>(486)</u>

Currency Risk

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

The following table summarises the Fund's currency exposure as at 31st March 2012 and as at the previous year end:

Currency Exposure - Asset Type	Market Value	Market Value
	2011/12	2010/11
	£000	£000
Global Fixed Income	170,075	123,024
Overseas Equities Active	245,992	174,219
Overseas Equities Passive	88,152	89,147
Multi Strategy	118,080	88,318
Commodities	36,879	39,814
Hedge Funds	47,321	50,646
Property	31,691	22,766
Infrastructure	8,892	8,095
Timber	14,686	12,212
Private Equity	96,971	90,772
	<u>858,739</u>	<u>699,013</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

7. INVESTMENT RISKS (continued)

Following analysis of the historical data in consultation with the fund's Performance Measurers, WM Company, and analysis of the exposures to foreign currency for the year to 31st March 2012, it was considered that the likely volatility associated with foreign exchange rate movements to be 7.4%. For the period to 31st March 2011, this was calculated to be 7.5%.

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

Currency Exposure - Asset Type	Market Value 2011/12	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Fixed Income	170,075	7.4	182,686	157,464
Overseas Equity - Active	245,992	7.4	264,232	227,752
Overseas Equity - Passive	88,152	7.4	94,688	81,616
Multistrategy	118,080	7.4	126,836	109,324
Hedge Funds of Funds	47,321	7.4	50,830	43,812
Commodities	36,879	7.4	39,614	34,144
Timber	14,686	7.4	15,775	13,597
Infrastructure	8,892	7.4	9,551	8,233
Property	31,691	7.4	34,041	29,341
Private Equity	96,971	7.4	104,161	89,781
	<u>858,739</u>		<u>922,414</u>	<u>795,064</u>

Currency Exposure - Asset Type	Market Value 2010/11	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Fixed Income	123,024	7.5	132,205	113,843
Overseas Equity - Active	174,218	7.5	187,220	161,216
Overseas Equity - Passive	89,148	7.5	95,801	82,495
Multistrategy	88,318	7.5	94,909	81,727
Hedge Funds of Funds	50,646	7.5	54,426	46,866
Commodities	39,814	7.5	42,785	36,843
Timber	12,212	7.5	13,123	11,301
Infrastructure	8,095	7.5	8,699	7,491
Property	22,766	7.5	24,465	21,067
Private Equity	90,772	7.5	97,546	83,998
	<u>699,013</u>		<u>751,179</u>	<u>646,847</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

8. DEBTORS/CREDITORS

	2012		2011	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,109		701	
Contributions due - Employers	2,100		2,405	
Added years	25		82	
H.M. Revenue and Customs	69		69	
Pension strain	342		801	
Administering authority	1		0	
Miscellaneous	57		99	
		3,703		4,157
Assets over 1 year :				
Pension strain	200		359	
		200		359
Less Current Liabilities :				
Lump sums	(1,628)		(3,423)	
Death grants	(333)		(119)	
Administering authority	(1,122)		(146)	
Added years	(86)		(31)	
Bulk Transfer Value Payable	(23,530)			
Miscellaneous	(238)		(616)	
		(26,937)		(4,335)
Net Current Assets		(23,034)		181

Analysis of debtors

	2,012	2,011
	£000	£000
Central Government Bodies	69	69
Other Local Authorities	3,426	3,851
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	408	596
	3,903	4,516

Analysis of creditors

	2,012	2,011
	£000	£000
Central Government Bodies	0	0
Other Local Authorities	(24,702)	(165)
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(2,235)	(4,170)
	(26,937)	(4,335)

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

9. OTHER INVESTMENTS

	2012		2011	
	£000	£000	£000	£000
Other Investment Assets :				
Income accrual	3		1,218	
		3		1,218
Other Investment Liabilities :				
Purchases of investments	0		(1,195)	
		0		(1,195)
Other Investment Balances		3		23

10. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2012. 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.

The transfer of assets in respect of the North Wales Probation Board to the Rhondda Cynon Taf Pension Fund was not effected until after 31st March 2012. An estimated amount of £23.530m was paid in April 2012 and included as an accrual in these accounts. The final calculation has not been agreed and any under or overpayment will be collected once the final amount is determined.

Changes have been agreed to the Local Government Pension Scheme which will take effect from 1st April 2014. These changes will not impact the Statement of Accounts for 2011/12.

11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

A market value or an estimate thereof has not been included for the money purchase AVC investments. These assets are specifically allocated to the provision of additional benefits for particular members. The Clwyd Pension Fund has the services of two AVC providers 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	£ 561,494
Units purchased	No. 86,366
Units sold	No. 116,651
Market value as at 31st March 2012	£ 3,824,312
Market value as at 31st March 2011	£ 3,683,250

12. RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2012, no Members of the Pension Panel have taken this option. The Members of the Pension Fund Panel do not receive any fees in relation to their specific responsibilities as members of the Panel.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

12. RELATED PARTY TRANSACTIONS (continued)**Key Management Personnel**

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

Flintshire County Council

In the course of fulfilling its role as administering authority to the Fund, Flintshire County Council provided services to the Fund for which it charged £802,768 (£847,104 in 2010/11). 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). At the year end, a net balance of £1.039m was owing to Flintshire in relation to creditors payments made on behalf of the fund and support service costs which were not available as at 31st March 2012.

13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2012, the Fund has contractual commitments of £383.4m in private equity and property funds, of which £280.7m has been invested, leaving an outstanding commitment of £102.8m.

14. 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.

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

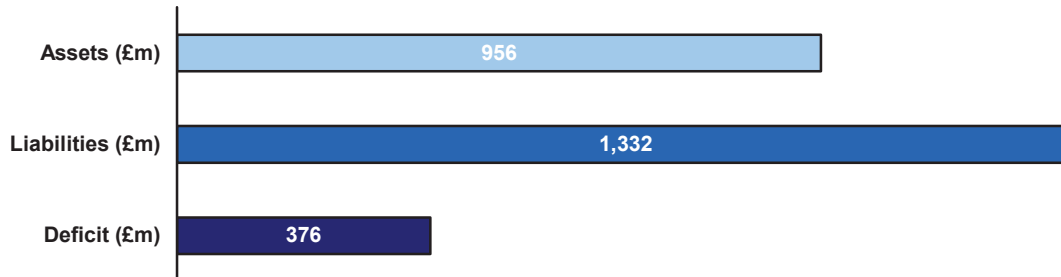
This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund's assets of £956 million represented 72% of the Fund's past service liabilities of £1,332 million (the "Funding Target") at the valuation date.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

The valuation also showed that a common rate of contribution of 11.7% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 30 March 2011.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions:

	31 March 2011	31 March 2012
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases	4.4% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £1,501 million and £1,613 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £55 million.

Paul Middleman

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2012

1. SCOPE OF RESPONSIBILITY

Flintshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used appropriately and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, ensuring that we are economic, efficient and effective as an organisation.

In discharging this overall responsibility, Flintshire County Council should maintain proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and the management of risk.

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

The Code of Corporate Governance is included in the Council's Constitution and a copy is also available from the Democracy & Governance Manager in Legal & Democratic Services.

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework brings together the systems and processes, culture and values by which the Council is managed and controlled and the activities through which it accounts to, engages with and leads the community. The framework enables the Council to monitor achievement against its strategic objectives and to be assured whether public services are well-designed, provided and resourced in pursuit of those objectives.

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

The governance framework has been in place at Flintshire County Council for the year ended 31 March 2012 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

Code of Corporate Governance

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

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

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

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

Members

Flintshire County Council has 70 Councillors that represent 57 electoral divisions and are democratically elected every 4 years. The Council operates a Leader and Cabinet Executive which during the year to the 31 March 2012 was made up of 9 Members. For the 2011/12 year there were 7 Overview & Scrutiny Committees supported by a team of officers. These Committees were as follows:-

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

In addition the Council has the following Standing Committees:-

- Audit Committee
- Constitution Committee
- Standards Committee
- Planning and Development Control Committee
- Licensing Committee

As from 30 April 2012 the Local Government (Wales) Measure 2011 requires the Council to have a Democratic Services Committee. Under the Measure the Audit Committee is required to have lay representation within its membership and to include in its terms of reference prescribed functions.

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

On taking office all Members are required to sign a Declaration of Acceptance of Office whereby they undertake to be guided by the National Code of Government Conduct in the performance

of their functions as a Councillor. Flintshire's Members' Code complies with the National Code and all Members are given a copy of it when taking up office. Any complaints that a Member has not complied with the Code are considered by the Public Services Ombudsman for Wales who may refer any apparent breaches to either the Council's Standards Committee or to the Adjudication Panel for Wales which may apply sanctions if a breach of the Code is found.

Officers

Officers are subject to a separate Code of Conduct. Breach of the Officers' Code can lead to disciplinary action.

Copies of both the Members and Officers Codes of Conduct are included in the Constitution which is available on the Council's website and Infonet.

Monitoring Officer

Article 15 of the Council's Constitution designates the Head of Legal & Democratic Services as the Council's Monitoring Officer under Section 5 of the Local Government & Housing Act 1989. In addition to the statutory responsibilities of ensuring the Council complies with the law and avoids maladministration the Council's Constitution also gives the Monitoring Officer responsibility for monitoring the operation of the Constitution and contributing to the promotion of high standards of conduct through the provision of support to the Standards Committee.

Finance

The Head of Finance is the Responsible Finance Officer and takes responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972 and in accordance with the CIPFA Statement on the role of the Chief Financial Officer. There are robust arrangements for effective financial management and control through the Council's accounting procedures, key financial systems, Financial Procedure Rules and Contract Procedure Rules as set out in the Constitution. Both the Financial Procedure Rules and Contract Procedure Rules are regularly reviewed and are available on the Council's infonet.

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

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

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

The Council has adopted the Chartered Institute of Public Finance (CIPFA) Treasury Management in the Public Services: Code of Practice. Treasury Management is conducted in accordance with the

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Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code. Treasury Management update reports are made to the Audit Committee and Cabinet on a quarterly basis.

Flintshire Futures

The Council adopted the Flintshire Futures Programme in 2010 as its strategy for organisation change and reform to secure efficiencies whilst modernising the way we work and improving local public services.

The Flintshire Futures Programme has four sub programmes:

- Corporate Change e.g. assets and procurement;
- Service Reviews e.g. Transforming Social Care for Adults;
- Regional Collaboration e.g. School Improvement Service;
- Local Collaboration e.g. energy management and carbon reduction.

Business Planning

The Council has an established and robust approach for business planning. The process is described and signposted within the Council (Plan) Governance Framework which was adopted in June 2011. The Framework is a family of co-related documents which describe how the organisation's priorities and values are reflected within the Directorates and their functions and how the Council interacts with partners and its customers and communities.

Alongside this is the Council's Improvement Plan which is published annually and describes the Council's priorities (Improvement Objectives) which are supported by both corporate and Directorate level (secondary) priorities. These priorities are connected to the County's Vision as determined by the Local Service Board.

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

- County Vision (Community Strategy) as set by the Local Service Board
- Council Priorities (ten primary priorities) as set by the County Council and supported by Directorate and corporate secondary priorities
- Council Improvement Targets – a set of performance indicators designated as those which require focused attention for improvement
- Strategic Assessment of Risks and Challenges (SARC) – a set of issues which are described in terms of risk, objectives and actions for mitigation
- Outcome Agreement (with Welsh Government) actions and measures
- Directorate and Service Plans, plus the corporate resource plans (for Human Resources, ICT and Customer Services, Finance and Legal and Democratic) set out all the above issues plus other issues identified in the Service Plans
- Quarterly reporting at Head of Service level to Cabinet and Overview and Scrutiny – a monitoring report on progress on all the issues above

Risk Management

The Council's strategic risk register is entitled the Strategic Assessment of Risks and Challenges (SARC). The SARC was first created during 2007/08. This 'live' document defines and details the priorities for change and improvement and is supported by business planning processes and disciplines of service planning, risk management, financial planning, resource planning, monitoring and review.

As a tool it collates the risks the Council has to consider, with regular updating and reporting on progress. It uses a red, amber, green (RAG) matrix to evaluate the current risk status and predicts the period when the risk will be mitigated or managed within the Council's risk appetite.

The SARC has three sections:

- 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
- Council Governance – issues of organisational governance and management (e.g. Finance)

The SARC risks are described in:

- Directorate Plans
- Service Plans
- Quarterly performance reports

Business Continuity

Business Continuity management is how the organisation plans an effective response to business interruptions, such as severe weather or a power outage, for its critical services to function and then return to normal as soon as possible.

Flintshire has developed a resilient approach to business continuity. This approach has included:

- the identification of Mission Critical Services which must be maintained or recovered as a priority should a business interruption occur, these services have Business Continuity Plans in place.
- the development of a Corporate Business Continuity Plan which provides the overall framework within which the Plans for Mission Critical Services operate and sets out the actions to be taken should a number of business continuity impacts be faced at the same time across e.g. accommodation or ICT infrastructure.

Overall strategic responsibility for ensuring that services are maintained is the responsibility of the Council's Corporate Management Team.

Regulation and Assurance

Regulation and accountability provides assurance for the effectiveness of the Council's arrangements for the services it is responsible for and the achievement of its objectives. It is undertaken both internally within the organisation through its governance arrangements, practices and procedures and externally by various organisations such as the Wales Audit Office (WAO) who have an independent statutory role.

Audit Committee

Internally, the Council's Audit Committee's role and function is to provide assurance of the system through:

- Reviewing the effectiveness of the authority's systems of internal control and risk management systems
- Overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial information
- Monitoring the performance and effectiveness of the internal and external audit functions within the wider regulatory context

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Internal Audit

The Internal Audit service is provided in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The Code states that Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. An annual audit plan is prepared on the basis of the Internal Audit Strategy.

In accordance with the requirements of the CIPFA Code of Practice the Internal Audit Manager reports to the Audit Committee a summary of audit findings each quarter and prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control within the Authority.

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

Their role is independent of government and they examine and challenge the performance and effectiveness of Welsh public bodies work and produce either periodic or annual local and national reports on their findings. All formal reports are presented to the Executive and Audit Committee and considered by the various Overview and Scrutiny Committees as appropriate under an adopted local protocol. Some reports, such as the Annual Improvement Report are presented to the full Council and some are also referred to the Audit Committee.

Whistle blowing

The Council is committed to the highest possible standards of openness, probity and accountability. To support that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that sensitive cases have to proceed on a confidential basis. This policy makes it clear that employees can do so without fear of reprisal. The policy is included in the Council's Constitution and is available on the Council's Infonet.

Complaints

The Council has adopted a formal complaints procedure which also seeks comments and compliments and this is periodically updated.

Corporate Strategies

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

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

Partnerships

The Council is involved in various ways in partnerships (as lead, joint partner, service recipient, service provider) at national, regional and local levels. Nationally, the Council is part of the local government 'family' in Wales making contributions in social policy development, influencing

national decisions and in guiding professional and other bodies. The Council is an active member of many regional partnerships and representative bodies and a collaborative partner with several regional projects and partnerships.

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

The main role of the LSB is to identify and manage common issues and co-ordinate and support the achievement outcomes across the following strategic partnerships that make up Flintshire in partnership as follows:

- ▶ Children & Young People's Partnership and 'Making a Positive Difference' Plan (2011 to 2014)
- ▶ Community Safety Partnership and Strategic Plan (2008 to 2011)
- ▶ Flintshire Housing Partnership
- ▶ Health, Social Care and Well-being Partnership and the Good Health, Good Care Strategy (2011 to 2014)
- ▶ Flintshire and Wrexham Local Safeguarding Children Board Strategic Plan (2011 to 2014)
- ▶ Regeneration Partnership
- ▶ Voluntary Sector Compact
- ▶ Youth Justice Plan and Board

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

4. REVIEW OF EFFECTIVENESS

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

Council Constitution

The Council's Constitution defines the roles of the Cabinet, Council, Audit Committee, Standards Committee and the Overview & Scrutiny Committees. During the course of the year the Council Constitution has been kept under review and changes recommended to the Constitution Committee which were later adopted by the Council. One such amendment was to enable the Constitution to be updated without the need for any such changes having to be considered by the Council. Following this change various updates have been made to the Constitution to reflect changes in legislation, changes in officer and departmental titles without the need for such changes having to wait until the next Council meeting.

Code of Corporate Governance

Commencing in October 2011 an annual review and update of the Code of Corporate Governance was undertaken. This year for the first time that was coordinated by the Code of Corporate

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Governance Officer Working Group. The Working Group was formed in response to recommendations from the Wales Audit Office and the Council's Internal Audit by the Council's Corporate Management Team at a meeting on the 18 October 2011. The two main tasks of the Working Group are to update annually the Code of Corporate Governance and to prepare the Annual Governance Statement.

Following the work of the Officer Working Group an updated version of the Code of Corporate Governance was reported to the Corporate Management Team at its meeting on the 20 March 2012 and then to the Constitution Committee at its meeting on the 28 March 2012. At both meetings the updated version was agreed and subsequently the Constitution amended to include this updated version.

The Corporate Governance Working Group decided to combine into one document the previous separate self-assessments that had been undertaken for the Code of Corporate Governance and the Annual Governance Statement. This combined assessment was agreed by the Corporate Management Team at its meeting on the 20 March 2012 and distributed to all Heads of Service for completion on the 22 March 2012. The results informed the preparation of this Annual Governance Statement and did not identify any further significant corporate governance issues other than those already included in this Annual Governance Statement.

Members

Each municipal year the training needs of Members are assessed and an annual Member development programme agreed by the Member Development Working Group. During the 2011/12 municipal year the following formal training was provided to Members:-

Various planning topics as determined by Planning Protocol Working Group:

- Finance
- Equalities
- Team working
- Leadership
- The role of the European Union

During the latter part of the year an extensive induction programme was prepared ready for new Members following the County Council elections on the 3 May 2012. This included both formal and informal briefings, arrangements for Members to have mentors, fact sheets on various topics and a Your Council event following the annual meeting on the 15 May 2012.

Officers

In relation to officers, the Learning and Development Team, working in Partnership with Deeside College have developed a comprehensive development programme enabling employees to develop their skills and competencies further and to achieve national ILM qualifications. A range of over 30 specialist half and full day development programmes are also offered to the workforce.

Council (Plan) Governance Framework

The final drafting and publication of the Council (Plan) Governance Framework was endorsed by the Council's Cabinet and County Council in June 2011.

During the year it has been used as part of the management development programme for Managers at ILM Levels 4 and 5 and received a favourable response as a comprehensive and user-friendly resource.

As the framework is subject to annual review; a revision will be presented to both the Council's Cabinet and County Council meetings in July 2012.

Business Planning – Improvement Plan

The Council drafted and approved its first Improvement Plan in June 2011. This Plan built on the Administration Priorities established in 2010 and identified a set of ten (primary) Improvement Priorities supported by more detailed secondary Directorate priorities. The quarterly performance reports summarise performance against progress and outcome and a full report on all the Improvement Priorities is presented twice yearly to Cabinet and the relevant Overview and Scrutiny Committees. The annual achievement against each of the ten Improvement Priorities is then summarised in the Council's Annual Performance Report (APR) which is presented to the Council's Cabinet and County Council.

Business Planning - Quarterly Performance Reports

The quarterly performance reports produced at Head of Service level give the context for overall performance and are a quarterly review of the service plans.

A new format for quarterly reporting was introduced from quarter 3 (Oct - Dec 11). It is based on exception reporting and splits the report into three sections:

- Section 1 - Foreword
- Section 2 – Performance Summary
- Section 3 – Exception Reporting in more detail.

Risk Management

The Strategic Assessment of Risks and Challenges (SARC) is monitored and reviewed on a quarterly basis and published on the Council's infonet twice yearly.

The SARC, apart from being reported via the quarterly performance reports, is reviewed separately twice yearly to ensure comprehensive coverage and assurance of risks and mitigating actions. This is reported to the Council's Cabinet and Audit Committee.

SARC is an effective tool:

- For self assessments - as a single document which charts the progress of issues the Council faces as an individual body and with our partners
- For resourcing planning and prioritisation – identifying where reallocation of resources are required
- For communication - to employees, members and in turn the public about the current issues and challenges that the Council faces
- For internal and external regulators – providing a regularly updated current assessment

The Council's risk management arrangements include:

- Operational risk – identified at service level
- Project risk – identified through the project management system
- Partnership risk - identified through the partnership governance framework

These processes all use the Corporate Risk Management model. More detail can be found in the Risk Management Strategy.

Business Continuity

A fresh round of testing held in October 2011 was compiled to help the owner/author of the plans to understand the importance of this and other issues to give senior management assurance on the robustness of the plans. The aim of the exercise was to test the resilience of the mission critical

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business continuity plans, paying particular attention to winter resilience, alternative accommodation requirements and ICT replacement facilities, and to identify any other shortfalls. It was also an opportunity for newly appointed employees, with responsibility for Business Continuity in their remit, to gain knowledge and practical experience of business continuity requirements.

The testing of the plans gave rise to an healthcheck being carried out on all the mission critical plans and authors and owners of the plans are revising their plans in light of the findings.

A further test of the Corporate Business Continuity Plan is planned to include internal and external factors as business interruptions.

Partnerships**National Partnerships**

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

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

Regional Partnerships

As recognised in the 'Compact' above two major regional delivery partnerships have been formed during 2011/12:

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

There is significant collaborative working which pre-exist the Compact in service areas including transport, residual and food waste procurement, procurement services and ICT.

The governance arrangements for the national and regional collaborations have been determined locally with a protocol adopted by Cabinet in February 2012 for project governance and reporting.

Local Strategic Partnerships

A review of the North Wales Partnerships has resulted in a series of changes during 2011/12 to include the following joint Boards:

- Regional Leadership Board: Leaders/Chairs and Chief Executives of the eight local authorities (including Police and Fire) and the Health Board.
- Joint Local Safeguarding Children's Board with Wrexham (and first joint strategic plan 2011-2014)
- Joint Community Safety Partnership with Wrexham (and first joint strategic plan 2011-2014)
- Youth Justice with Wrexham

Budget Setting

In March 2012 the Council set the 2012/13 budget. The decrease of 0.2% in Flintshire's Revenue Support Grant from Welsh Government in 2012/13 came on top of a decrease of 1.7% in the previous year. This combined with the impacts of no provision for inflation, plus the costs of

funding new pressures resulted in significant efficiencies being needed to produce a balanced budget. Despite this challenge the budget headlines can be summarised as follows:

- There are no significant cuts to services or new job reductions
- There is additional investment in key areas to keep pace with demand and standards (e.g. Schools, Social Care)
- There is a prudent level of investment in ‘unsupported borrowing’ to fund Council Priorities in the Capital Programme
- There is a proposed modest increase to council tax and the fees and charges currently made for services
- The budget is protected for inflationary, economic and demographic impacts on a measured risk basis

Capital Programme

Work has been ongoing in 2011/12 to develop a long term capital strategy which aims to have in place a 10 year affordable, prioritised programme of all capital needs. In developing the strategy the following 6 theme areas have been identified for investment which might be financed (in full or in part) through unsupported (prudential) borrowing:

- School Modernisation
- Leisure
- Public / Civic Buildings
- ICT
- Infrastructure / Regeneration
- Energy

Work will continue to develop the Capital Programme in 2012/13.

Flintshire Futures

The efficiency dividends from the early stages of the Flintshire Futures Programme from internal service change and reduced operating costs have supported a balanced budget for 2012/13 and have assisted in achieving an in-year under-spend for 2011/12.

During recent months a significant amount of work has been undertaken by the Leadership Team and the Flintshire Futures Team to re-focus the organisational change programme needs to set high level targets to improve and change the organisation and to ‘bridge the gap’ in annual Council Fund revenue budgets for 2013-2018 as part of the Medium Term Financial Strategy and Plan.

Internal Audit

The department undertook a self-assessment against the CIPFA guidelines for Internal Audit in Local Government and found a high level of compliance.

The Wales Audit Office undertake an annual review of the Council’s Internal Audit service against the CIPFA Code of Practice for Internal Audit in Local Government. In its latest review they concluded that Internal Audit fully comply with eight of the eleven standards and partially comply with two. The area of non-compliance was in employee levels and did not reflect on the standard of work produced. They were content to rely on the work produced by Internal Audit.

In his annual report, based on the results of internal audits undertaken during the year, the Internal Audit Manager has concluded that Flintshire's arrangements for governance, risk management and internal control are adequate and effective.

The Internal Audit Manager reviewed the role of the Flintshire Head of Finance and concluded that it meets the governance requirements of the CIPFA Statement on the role of the Chief Financial

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Officer in Local Government with a few minor exceptions that have no impact which will be addressed in 2012/13.

Audit Committee

The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Elected members are provided with reports from the Wales Audit Office and summary reports on major systems and process from Internal Audit. They supervise Internal Audit's completion of the audit plan and the Audit Manager submits his Annual Report to the committee. The committee also receives regular updates on risk management.

The committee completed a self assessment against CIPFA Toolkit for Local Authority Audit Committees. The results showed that in the main the Committee meets the guidelines. Some areas were highlighted where existing arrangements can be strengthened. Training for the new Audit Committee after the Council elections will take place in June 2012.

Finance Function Review

In November 2010 approval was given to phase 2 of the Finance Function Review (FFR) (phase 1 being the review of Senior Management Structure for the Finance Division). The Phase 2 Review covered resources, capacity and capability to deliver the full range of financial services across the Council to meet current and future needs. It incorporated revised arrangements for Directorate Finance Teams to have a direct reporting line to the Head of Finance. Significant progress was made in implementing phase 2 of the review during 2011/12. Assimilation to posts in the new structure commenced and appointments have been made to vacant posts. Work will continue to complete the assimilation and remaining recruitment in 2012/13 and to embed the new structures. The completion of the FFR links directly to the CIPFA Role of the Chief Finance Officer, who must lead and direct a finance function that is resourced to be fit for purpose.

5. SIGNIFICANT GOVERNANCE ISSUES

WAO Improvement Report

The WAO Improvement Report issued in January 2012 included two recommendations:

- The Council should report more fully and regularly to the Executive Board on progress in delivering the HR Strategy and Single Status Agreement and ensure capacity and capability are available to achieve intended outcomes and timetables. Flintshire's response to this was *'quarterly reviews of the People Strategy will be reported to the Executive. The Single Status project plan was reported to Executive in March. The new Council will be fully informed of the project to enable it to reach an agreement in October 2012'*.
- The Council needs to complete its work in quantifying the financial benefits of its programme of efficiencies and organisational change by mid 2012-13, to determine the remaining funding gap (shortfall or surplus) and then establish clear plans to identify further savings and/or redirect resources to priorities. Flintshire's response to this was *'this work is in progress through the ongoing development of the MTFS and a review of the Flintshire Futures programme'*.

Single Status

Under the guidance of the Single Status Project Board significant progress has been made on the project. Renewed project governance and assurance arrangements are in place. The Council aims to adopt a local Single Status Agreement by the close of 2012.

Medium Term Financial Strategy and Medium Term Financial Plan

Significant progress was made in the development of the Medium Term Financial Strategy and Medium Term Financial Plan during the year, with the Medium Term Financial Strategy 2011-2015 being adopted by the Council in June 2011.

Strategic financial planning is critical to matching financial resources to Council priorities and improvement objectives and to ensuring the sustainability of service delivery. The Council recognises that there is a need to build on what it has achieved in 2011/12. The Council in responding to the formal recommendation of the Wales Audit Office's Annual Improvement Report 2011 is committed to develop and complete its work on the Medium Term Financial Plan (MTFP) by mid 2012/13 that will fully incorporate the financial implications of all efficiencies and savings programmes in order to determine the projected shortfalls (or surplus) for future annual budgets. This will include putting plans in place to meet any shortfalls and allocate resources to priorities.

Housing Stock Transfer

Under Welsh Government policy unitary Councils in Wales have been required to ballot their tenants on the option of transferring to a new registered social landlord or staying with the Council. A ballot was held between 20 February 2012 until 20 March 2012. The Council had taken a principled neutral stance on the ballot and did not seek to influence tenants one way or the other. The turnout was 71% which was the highest in Wales. 88% of the tenants voting voted no to a transfer with 12% voting yes. At meetings of the Executive and County Council on the 27 March 2012 the outcome of the ballot was accepted with a decision to engage with the Welsh Government over how to bridge the funding gap to achieve the Welsh Government policy on meeting the Welsh Housing Quality Standard within an acceptable timescale.

School Modernisation

During 2011/12 there has been an extensive consultation process on the Flintshire School Modernisation Strategy. Consultation meetings have been well attended and recognised by most school representatives as well conducted. The feedback received before the end of April 2012 has been included in a database ready for consideration by elected Members from June 2012. The Strategy provides a policy framework under which schools and communities can engage in discussions to help identify solutions to address demographic change and options for local educational change. The Strategy contains criteria for the review of schools including the percentage of surplus places. The initial stages of consultation are intended to provide Members with information to assess whether criteria for issuing a statutory proposal for school organisational change are met.

SARC

High Red Risks from the current Strategic Assessment of Risks and Challenges (SARC) are:

CD10a Leisure - Revenue Funding

Current funding levels for Leisure Services do not support the Leisure Strategy's 3 key strategic priorities.

The revised in-year overspend has reduced with Leisure Services offsetting some of the deficit through increased income generation. Further income is due to be generated through the completion of Phase 3 with Alliance Leisure.

CD20 School Buildings/ School Modernisation

Condition, suitability and sufficiency of education assets.

School Modernisation - A new phase of area reviews was re-commenced as agreed by the County Council towards the end of 2011 and a new strategy was introduced with criteria for the review of schools having significant surplus places. (See above)

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School Buildings – The Education Asset Management Plan is being used in conjunction with the Corporate plan. The School Modernisation Strategy now being implemented to address some of the issues relating to school buildings. Progress with amalgamations, replacement of two schools with new is ongoing, with completions scheduled in September 2012 and September 2014.

CD38 Welfare Reform

The Welfare Reform Act when fully implemented will see the introduction of Universal Credit to provide a single streamlined national benefit scheme and the introduction of a replacement Council Tax Benefits Scheme which will be for local determination. The UK Government's intended objectives of welfare reform are to ensure that work pays. It will feature a stronger approach to reducing fraud and error with tough penalties for the most serious offences. It will reform disability living allowance and create a fairer approach to Housing Benefit and support changes to a new system of child support.

In preparation for this the Council is:

- Mitigating where possible the effects and actively supporting the implementation of the changes resulting from the Welfare Reform Act.
- Planning for the introduction of a replacement Council Tax Benefit Scheme from April 2013 following the cessation of the current national scheme.
- Understanding the implications of the Reform upon our communities so that we can respond to local priorities.
- Accessing key people in other agencies to support the implementation of the reform.
- Prioritising spending on those with the greatest need. This is a newly identified risk with many interdependencies for Flintshire and its Partners.

CG23 Data Protection

The Council being in breach of the Data Protection Act resulting in enforcement action by the Information Commissioner's office, including the imposition of financial penalties and adverse publicity.

In preparation for this the Council is minimising the potential for:

- financial penalties of any significant breach of the Data Protection Act.
- negative publicity of any significant breach of the Data Protection Act.
- the damage and harm caused of any significant breach of the Data Protection Act by ensuring that:
 - service areas regularly processing personal information have included Data Protection breach as a service risk in their service plans.
 - staff processing personal information have received appropriate training.
 - training is given to Members on their Data Protection responsibilities.
 - a register is maintained of all Data Protection complaints.
 - news items are regularly distributed on the Infonet and to Heads of Service as a reminder of the importance of complying with Data Protection.

The Information Commissioner's Office are undertaking a voluntary audit in early 2013. Their report should identify further actions to reduce the risk.

ANNUAL GOVERNANCE STATEMENT 2011/12

continued

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

Signed.....Leader of the Council

Signed.....Chief Executive

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 17 JULY 2012**

REPORT BY: **HEAD OF FINANCE AND HEAD OF LEGAL &
DEMOCRATIC SERVICES**

SUBJECT: **ANNUAL GOVERNANCE STATEMENT**

1.00 PURPOSE OF REPORT

1.01 For the committee to review and approve the annual governance statement.

2.00 BACKGROUND

2.01 For each financial year the Council is required to produce an annual governance statement (AGS) as part of its final accounts. This statement explains how the Council has complied with its code of corporate governance and it also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

2.02 In previous years the AGS has been considered by the Audit Committee as part of the discussion on the annual accounts. However, it is an important document detailing the Council's corporate governance arrangements and it is best practice for it to be reviewed and approved as a discreet agenda item.

2.03 For the financial year 2011/12 the AGS has been prepared in a different way to previous years. The preparation of a draft AGS has been coordinated by the Corporate Governance Officer Working Group who have reported to the Chief Executive, the Section 151 Officer and the Monitoring Officer on its work. The core membership of that working group is show in appendix 1. Each of the three service directorates also has a Head of Service who is the designated lead for that directorate on corporate governance issues.

2.04 The preparation of the AGS has been informed by a corporate governance self-assessment undertaken by each of the Council's Heads of Service for their service area. Where appropriate this assessment received a light touch challenge from the Corporate Governance Officer Working Group.

2.05 The draft AGS was prepared in compliance with "Delivering Good Governance in Local Government: A Framework" published jointly by

CIPFA and SOLACE. It was then submitted to the Chief Executive, the Section 151 Officer and the Monitoring Officer for their observations. The version attached to the end of the statement of accounts incorporates their observations. The final version after approval by the committee will be submitted to the Chief Executive and Council Leader for signing.

- 2.06 The AGS will be considered by the Wales Audit Office who have to report if it does not reflect compliance with the guidance in “Delivering Good Governance in Local Government: A Framework”.

3.00 CONSIDERATIONS

- 3.01 In accordance with “Delivering Good Governance in Local Government: A Framework” the governance statement is divided into five numbered sections namely:-

1. Scope of responsibility.
2. The purpose of the governance framework.
3. The governance framework.
4. Review of effectiveness.
5. Significant governance issues.

- 3.02 Members are requested to consider

1. whether the statement accurately reflects the governance framework in place in the Authority,
2. whether they are satisfied with the overall review of effectiveness, and
3. whether they agree that the significant governance issues facing the Authority are as described in the statement.

- 3.03 There is a lot of detailed work that has gone into the production of the AGS and if Members believe there are any inaccuracies in it, it would be helpful if this could be raised prior to the meeting itself so that any such queries can be properly researched prior to the committee meeting.

4.00 RECOMMENDATIONS

- 4.01 For the committee to approve the AGS attached to the statement of accounts.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 With appropriate senior officers.

11.00 CONSULTATION UNDERTAKEN

11.01 The preparation of the AGS involved consultation with all Heads of Service, particularly with the Chief Executive, the Section 151 Officer and the Monitoring Officer.

12.00 APPENDICES

12.01 Appendix 1 - Membership of the Corporate Governance Working Group

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

Delivering Good Governance in Local Government: A Framework published by CIPFA and SOLACE
Corporate Governance Self-Assessments undertaken by the Heads of Service

Contact Officer: Peter Evans
Telephone: 01352 702304
Email: peter.j.evans@flintshire.gov.uk

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Corporate Governance Working Group Membership

Peter Evans (Chair)	Democracy & Governance Manager
Vicki Woolf	Risk Manager
Karen Armstrong	Policy Performance & Partnerships Manager
Liz Thomas	Finance Manager, Strategy & Technical
David Webster	Internal Audit Manager

Note: Angela Peters kindly remaining temporarily notwithstanding her new appointment.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 17 JULY 2012**

REPORT BY: **HEAD OF LEGAL AND DEMOCRATIC SERVICES**

SUBJECT: **STATUTORY GUIDANCE ON THE LOCAL
GOVERNMENT (WALES) MEASURE 2011**

1.00 PURPOSE OF REPORT

1.01 To inform the committee of the recently issued statutory guidance insofar as it relates to the work of the committee.

2.00 BACKGROUND

2.01 At its meeting on the 26 March 2012 the committee considered a report on the draft guidance that the Welsh Government was consulting upon. The Democracy & Governance Manager was subsequently authorised to respond to the consultation by the Constitution Committee. A copy of that response to the consultation is attached as appendix 1.

2.02 At the end of April 2012 the Welsh Government implemented those provisions of the Measure that the draft guidance related to. It did not however, issue the final version of the guidance until 25 June 2012 some 8 weeks later.

2.03 Copies of this statutory guidance have been placed in the Members' library and in the group rooms. There will be separate reports to the Constitution and Democratic Services Committees at their meetings on 24 July.

3.00 CONSIDERATIONS

3.01 Chapter 9 of the guidance relates to Audit Committees. Sections 81 to 87 of the Measure require Councils such as Flintshire to appoint an Audit Committee with the following functions:-

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.
- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
- Oversee the authority's audit arrangements and review its financial statements.

- 3.02 At its meeting on 19 June the County Council considered the Monitoring Officer's report on constitutional changes and agreed amended terms of reference for the committee to cover the above.
- 3.03 The Measure also requires that at least one lay member be appointed to the committee up to a maximum of a third of the committee's membership. Pursuant to the committee's previous decision one lay member, Mr Paul Williams, has been appointed following public notice of the vacancy.
- 3.04 In the representations the Council made on the draft guidance, points 9 through to and including 14 of appendix 1 related to the chapter on Audit Committees.
- 3.05 Point 9 made representations that the provisions in the Measure should not be implemented until approximately two months after the final guidance has been issued. The Welsh Government decided to implement these provisions approximately two months before issuing the final guidance. In order to ensure the Council could operate a lawful Audit Committee, it took steps to recruit the lay person without the benefit of the final guidance. Fortunately there is nothing in the final guidance that invalidates the appointment of Mr Williams as the lay person.
- 3.06 Point 10 of the representations sought clarification on the role of the Audit Committee in relation to financial affairs of the Council and how this differed to the ongoing role of Overview & Scrutiny. This has been addressed in part in paragraph 9.13 of the statutory guidance which was not in the draft guidance. It provides that local authorities should make their own arrangements to provide for clear demarcation between the role of an Audit Committee and that of a relevant Overview & Scrutiny Committee. In Flintshire the existing demarcation can continue. The Audit Committee to seek assurance that the budgetary control systems are working with Overview & Scrutiny considering the actual spend.
- 3.07 Point 11 of the representations made on the draft guidance criticised the reference to separate documents issued by CIPFA which were recognised as being somewhat dated and the Council was of the view that the final guidance should not refer to such separate documents but include the relevant parts of them in the final guidance. There has been no change to these parts of the draft guidance. Flintshire does comply with the CIPFA guidance.
- 3.08 Point 12 of the representations previously made was indicating that it was too prescriptive that the Audit Committee should be provided with all copies of auditors reports. This point has been addressed in part in paragraph 9.16 to allow the committee to receive "the summary finding if felt more appropriate" rather than all copies of auditor's reports.

- 3.09 Point 13 of the representations previously made was recommending that it should be left to the local choice of individual authorities as to the extent to which reports from regulators and inspectors are considered by the Audit Committee rather than by the appropriate Overview & Scrutiny Committee. There has been no change on this in the final guidance other than that it is now paragraph 9.20.
- 3.10 Point 14 made, in response to the consultation, was to seek clarification on paragraph 9.23 where it refers to reports and recommendations by the Audit Committee being considered by full Council in particular, as well as the Cabinet. This remains the position in the statutory guidance.
- 3.11 Paragraph 9.24 of the statutory guidance remains the same as in the draft guidance when it had been understood that this would be changed as the Welsh Government appreciated it could not change section 15 of the Local Government & Housing Act 1989 without amending legislation. Until any such amending legislation the Audit Committee is still subject to political balance as required under the Local Government & Housing Act 1989.
- 3.12 The statutory guidance has clarified in paragraph 9.21 the reference to financial statements making clear that the committee should consider and comment on the authority's 'certified draft' financial statements.
- 3.13 Paragraph 9.27 of statutory guidance is different to the draft in that it now allows the appointment of lay members whose political allegiances are well-known when the draft guidance did not. It also now limits the length of time that the lay member can be appointed to sit on the Audit Committee to no more than two full terms of a local authority. In making the appointment of Mr Williams the Council has done so for the current term of the authority.

4.00 RECOMMENDATIONS

- 4.01 To note the provisions in the statutory guidance relating to Audit Committees.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a result of this report.

12.00 APPENDICES

12.01 Appendix 1 - Response to consultation

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

Statutory Guidance on the Local Government (Wales) Measure 2011

Contact Officer: Peter Evans
Telephone: 01352 702304
Email: peter.j.evans@flintshire.gov.uk

APPENDIX 1

**Peter J
Evans/CountySecretary/F
lintshire/GB** To LGDTMailbox@wales.gsi.gov.uk
cc
Sent by: Lavinia M
Stockham/CountySecretary Fax to
/Flintshire/GB
29/03/2012 11:46 Subje Consultation on Draft Statutory Guidance on the Local
ct Government Measure 2011

Dear Sir/Madam

The purpose of this e-mail is to give you the formal response of Flintshire County Council to the consultation document issued on the 3 February for which responses are required by 30 March.

The Draft Statutory Guidance in so far as it relates to overview and scrutiny committees has been considered by the Council's Overview & Scrutiny Co-ordinating Committee. In so far as it relates to the audit committee the Draft Guidance has been considered by the Council's Audit Committee and all parts of the Draft Guidance have been considered by the Council's Constitution Committee at its meeting on the 28 March.

At these meetings it was agreed that the Council should make the following observations on the Draft Statutory Guidance.

1. The first point the Council wishes to make is that the Draft Statutory Guidance is too prescriptive and that more freedom should be left to the local choice of each council as to how it implements the provisions in the Local Government (Wales) Measure 2011. Observations to this effect were made at each of the three committee meetings that considered the Draft Statutory Guidance and the view expressed that the Draft Guidance is seeking to micro manage authorities and that the final version of the Guidance should be less detailed, allowing individual authorities to be creative in putting in place local arrangements to suit their local circumstances.

2. Secondly, Members believed that particularly in relation to the parts of the Guidance dealing with overview and scrutiny, it is generating a lot of extra administrative and bureaucratic work for little or no benefit. For example, in paragraph 5.26 of the Draft Guidance it recommends that authorities develop four separate protocols when it is believed that raising public awareness about overview and scrutiny can be achieved without such protocols.

I shall now make observations in the order in which they appear in the Draft Guidance.

3. Paragraph 1.10

In this paragraph it is indicated that the survey to ascertain the preferences of Members should be carried out within 3 weeks of ordinary elections in order for recommendations to be considered at the Council's Annual Meeting. Flintshire's Annual Meeting will be held on 15 May following the elections on 3 May and it believes that it is totally impractical to conduct a survey of all Members in such a short period of time that the results of any such survey can be reported to and considered at the Annual Meeting. It is believed this sentence should be deleted from the final version of the Guidance.

4. Paragraph 5.26

As indicated in 2. above, it is believed that raising public awareness about overview and scrutiny can be achieved without the need to recommend four separate protocols.

5. Paragraph 5.33

As overview and scrutiny forward work programmes frequently change to reflect changing local priorities rather than circulating to a large number of bodies as is indicated in this paragraph, it is believed it would be a more effective use of resources to use council web sites which is what Flintshire currently does. Sending copies of forward work programmes to the long list of bodies indicated in paragraph 5.33 is going to generate confusion with those bodies whenever the forward work programmes are changed as inevitably and quite properly they are.

6. Paragraph 6.5

The Council welcomes the reference in this paragraph that a councillor call for action should be a means of last resort after other avenues have been explored. Flintshire already has a number of mechanisms to support Members in resolving problems within their electoral divisions which are lower profile and potentially less confrontational than a call for action.

7. Paragraph 7.2

It would be helpful if the final version of the Guidance includes a worked example of where a council has a number of members that are not in any political group.

8. Chapter 8

It is believed that the Draft Guidance dealing with Co-opted Members of Overview and Scrutiny is too detailed and more flexibility should be given to enable easy co-option.

9. Chapter 9

It seems as if the Welsh Government is proposing to implement the part of the Measure dealing with audit committees so that it takes effect from early May which would mean that any meeting of the audit committee thereafter would legally require to have on it at least one lay member. The Council believes that the implementation of this part of the Measure should be approximately 2 months after the final guidance has been issued. The final version of the Guidance should give more guidance than is in paragraph 9.27 of the Draft Guidance as to the criteria against which lay candidates' appropriateness will be judged. Councils should then have 2 months to publicly advertise in a transparent way indicating the criteria and to recruit suitable lay members so that the reconstituted committee can be in place when that part of the Measure is implemented. Otherwise there is a risk of either recruiting in a rushed non transparent way or of not having a legally effective audit committee because the requisite lay member(s) have not as yet been appointed.

10. Paragraph 9.2

The Local Government Measure introduces a responsibility for Audit Committees to review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs. The draft guidance does not clarify what it is intended that this should mean in practice. A number of Councils are interpreting this to mean that the Audit Committee should take over responsibility for scrutiny of the Council's revenue budget and capital programme and the in-year monitoring, following consideration of the same by the Executive. In effect this would take away the budget scrutiny role from Flintshire's Overview & Scrutiny Committees. Flintshire believes that the final version of the guidance should clarify what precisely is seen as the role of the Audit Committee in relation to the financial affairs of the Council and how this differs to the ongoing role of Overview & Scrutiny. In Flintshire's opinion the final version of the consultation should indicate that the Audit Committee should be limited to ensuring that there is a solid approach towards financial and organisational propriety, through the application of effective systems, procedures and controls. The role of Overview & Scrutiny to monitor, challenge and support the development of effective financial performance (linked to service delivery and performance) should remain.

11. Paragraphs 9.9 and 9.10

These refer to two separate publications issued by CIPFA and indicate that whilst one of those publications is somewhat dated (published in 2005) its principles are still valid. The Draft Guidance

goes on to indicate that local authorities are advised to view the two documents as being complimentary to the Guidance. The Council believes that the final Guidance should be all encompassing rather than referring to separate documents, particularly where it is saying that one of those documents is somewhat dated. The final Guidance should include those parts of the separate document that the Welsh Government believes still to be relevant.

12. Paragraph 9.15

This indicates that each authority must ensure that the Audit Committee is provided with all copies of auditor's reports. Flintshire believes that this is too prescriptive and that in view of the number of reports that are issued by internal and external auditors it can lead to the Committee being inundated and unable to properly consider the reports that raise significant issues. It is believed that the final guidance should leave it to local choice for each authority to decide the extent to which Audit Committees need to receive copies of auditor's reports. Separate arrangements can always be made for the members of the Audit Committee to be informed of all audit reports and for those reports to be available for any member who wishes to read them and if the member wishes refer them to the Committee for its consideration.

13. Paragraph 9.19

This requires the Audit Committee to receive and consider reports from not only external/internal auditors but also any other regulators or inspectors. It goes on to say that the authority will need to ensure that there is no unnecessary duplication between the Audit Committee and any Overview & Scrutiny Committee in considering such reports. If in future Audit Committees are to receive and consider reports from bodies such as Estyn, and duplication is avoided, then such reports would not in future be considered by Flintshire's Lifelong Learning Overview & Scrutiny Committee but by the Audit Committee. Flintshire believes that this part of the draft guidance is too prescriptive and it should be left to the local choice of individual authorities as to the extent to which reports from regulators and inspectors are considered by Audit Committee rather than by the appropriate Overview & Scrutiny Committee.

14. Paragraph 9.23

This states that reports and recommendations by the Audit Committee should be considered by full Council in particular, as well as the Executive. Whilst this appears just to relate to the Audit Committee in relation to financial statements, it does seem to be advocating duplication and could lead to confusion as to whether the responsibility is with the Executive or is a Council function. It is believed that this paragraph should be clarified in the final version of the guidance. Firstly, as to when it is appropriate for reports and recommendations to subsequently be considered by both Council and Executive and secondly, to clarify which prevails in the event of the Council and Executive taking different views.

I hope the above representations will assist in the drafting of the final version of the statutory guidance.

Please acknowledge receipt of this e-mail.

Regards,

Peter Evans
Democracy & Governance Manager | Rheolwr Democratiaeth a Llywodraethu
Democratic Services | Gwasanaethau Democratiaidd
Flintshire County Council | Cyngor Sir Y Fflint
County Hall | Neuadd y Sir
Mold | Yr Wyddgrug
CH7 6NA

Tel|Ffôn | 01352 702304

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 17 JULY 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **WAO REGULATORY PROGRAMME**

1.00 PURPOSE OF REPORT

To report for acceptance the proposed Regulatory Programme for Performance Audit for the Wales Audit Office (WAO) for the period April 2012 to March 2013.

2.00 BACKGROUND

2.01 The Auditor General is responsible for preparing a programme of work under the Local Government (Wales) Measure 2009 (the Measure), the remaining functions of the Local Government Act 1999 and the Public Audit (Wales) Act 2004. The programme sets out the work to be delivered by and on behalf of the Auditor General for Wales and by his appointed auditors. It also covers the work of the Care and Social Services Inspectorate for Wales (CSSIW) and Estyn.

2.02 The purposes of regulation are to provide assurance to the organisation, the public and government; to support the development of internal governance and assurance frameworks (e.g. risk management); to aid and support performance improvement (of governance and of public services). In addition the Local Government Act 1999 places a requirement on those inspectorates named specifically in the legislation (CSSIW and Estyn) alongside the WAO and its appointed auditor to work together to co-ordinate their activity within each authority.

3.00 CONSIDERATIONS

3.01 The Regulatory Plan now appears as three separate documents. Two of them, the Financial Audit Outline for Flintshire County Council and the Financial Audit Outline for Clwyd Pension Fund were presented to the Audit Committee in March 2012.
The Regulatory Programme for Performance Audit for 2012-13 is attached at Appendix 1.

3.02 The range of performance audit work that the Auditor General and relevant regulators will carry out will be detailed in a Work Plan and

Timetable. This will reflect the council's improvement planning arrangements and be aligned to its improvement objectives. It will provide more detailed information on the nature and scope of improvement assessment activities. This will be reviewed at least every quarter and will be the subject of liaison between WAO, relevant regulators and council officers. We would wish to continue to ensure that each piece of regulatory work is clearly scoped (the type, purpose and value) provides timely and quality reports which balance minimising the fees and burden of regulation and appropriate regulation in the public interest.

- 3.03 In ongoing discussions with the regulators the council has stressed the need for value for money in regulation.
- 3.04 The Performance Audit in the main comprises the Improvement Assessment, which is separated into four parts.
- The Council's arrangements for continuous improvement. The WAO will not carry out a full assessment of the Council this year. They will follow up progress in implementing recommendations and proposals for improvement set out in previous assessments.
 - Improvement studies on the effectiveness of scrutiny; the preparation of the Annual Governance Statement; and key themes that have emerged from audits of authorities' improvement objectives and self assessment of performance.
 - Local work on the Council's self assessment of its arrangements and performance; and on collaboration with partners
 - Audits of the Improvement Plan and Assessment of Performance (the latter must be published by the Council by the end of October).
- 3.05 In addition the Auditor General has a duty to undertake studies across local authorities. In 2012-13 the study will relate to young people not in employment, education or training.
- 3.06 The planned work of Estyn includes a monitoring visit following the 2011 inspection of the Council's education services for children and young people.
CSSIW have yet to identify any fieldwork for 2012-13.
This and other work that may arise will be included in the Work Programme and Timetable.
- 3.07 The Welsh Language Board is also a "relevant regulator" monitoring the council's progress in delivering services to the public in Welsh. Every Council is expected to provide the Board with an annual monitoring report that explains how its Welsh Language Scheme has been implemented. (The Council will present this report to Cabinet in September.)

- 3.08 Following the audit of the Improvement Plan, the Auditor General will write to the Council to formally report the findings of the audit. In addition, an Annual Improvement Report will set out the findings of the audit of the Council's assessment of performance, a summary of any corporate or performance assessment work carried out by the WAO and a summary of work carried out by relevant regulators.
- 3.09 Final reports, their findings, recommendations and subsequent actions are to be brought to Cabinet from Directors within three months. The role of both the Corporate Management Team and Cabinet is one of accountability; being accountable for the activity, its findings and the improvement actions presented.
- 3.10 The Council's Internal Audit Plan has been closely influenced by and integrated with the council's own Strategic Assessment of Risks and Challenges. The regular reviews with WAO in developing their Work Programme and Timetable will take our own audit activity into account to reduce duplication, maximise resources and ensure appropriate accountability for regulation.
- 3.11 Other roles within the Council in relation to the Regulatory Plan activities include that of check and challenge by Overview and Scrutiny Committees and assurance by the Council's Audit Committee. The terms of reference and adopted protocols of these bodies reflect the tripartite roles of Corporate Management Team/Cabinet, Overview and Scrutiny and Audit Committee in relation to regulation.

4.00 RECOMMENDATIONS

- 4.01 The Audit Committee is requested to receive for acceptance the proposed Regulatory Programme for Performance Audit of the WAO for the period April 2012 to March 2013.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The proposed fee for this year's regulatory performance work is £139,985.

6.00 ANTI POVERTY IMPACT

- 6.01 There are no direct implications in relation to this report.

7.00 ENVIRONMENTAL IMPACT

- 7.01 There are no direct implications in relation to this report.

8.00 EQUALITIES IMPACT

8.01 There are no direct implications in relation to this report.

9.00 PERSONNEL IMPLICATIONS

9.01 There are no direct implications in relation to this report.

10.00 CONSULTATION REQUIRED

10.01 Consultation with relevant members and Audit or Overview and Scrutiny Committees will be undertaken as a result of the implementation of this programme.

11.00 CONSULTATION UNDERTAKEN

11.01 Ongoing consultation on the status of the programme and its implications is undertaken with the regulators on a quarterly basis.

12.00 APPENDICES

12.01 Appendix 1: Regulatory Programme for Performance Audit 2012-13.

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

As Appendix 1

Contact Officer: Kerry Feather
Telephone: 01352 702248
Email: kerry.feather@flintshire.gov.uk



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Regulatory Programme for Performance Audit 2012-13

Flintshire County Council

Issued: June 2012

Document reference: 370A2012

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

Status of document

This document has been prepared for the internal use of Flintshire County Council as part of work performed/to be performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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This document was produced by Huw Lloyd Jones and Karen Lees under the direction of Alan Morris.

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Regulatory Programme

Performance audit work at Flintshire County Council

1. This programme outlines work to be delivered by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999 and Parts 2 and 3A of the Public Audit (Wales) Act 2004.
2. **Appendix 1** summarises the planned activity for the year. The range of performance audit work that the Auditor General and relevant regulators will carry out will be set out in more detail in a Work Plan and Timetable (WP&T) which will be reviewed every quarter.
3. **Appendices 2 and 3** set out the roles and responsibilities of relevant Wales Audit Office staff together with contact details.
4. Fees for the Auditor General's performance audit work are set out in **Appendix 4**.
5. Where the Auditor General identifies an issue of such importance that he considers a special inspection to be an appropriate response, he will charge an additional fee to conduct such an inspection.

The Improvement Assessment

6. The Auditor General must carry out an annual Improvement Assessment to determine whether Flintshire County Council (the Council) is likely to comply with the requirements of Part 1 of the Measure. This involves:
 - a review of the Council's arrangements to secure continuous improvement;
 - improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
 - bespoke pieces of work related to the Council's improvement objectives and arrangements; and
 - audits of the Council's published improvement plans and its self-assessment of performance.
- a) **The Council's arrangements to secure continuous improvement**
7. The Auditor General will carry out a full assessment of all councils' arrangements once every four years, unless he has significant concerns that suggest he should review those arrangements more frequently. This year we will not carry out a full assessment at the Council. However, we will follow up progress in implementing recommendations and proposals for improvement set out in our previous assessments. For ease of reference, these recommendations and proposals are set out in paragraphs 8 to 10 below.

-
8. In our Annual Improvement Report, issued in January 2012, we recommended¹ that:
- the Council should report more fully and regularly to the Executive Board on progress in delivering the Human Resources (HR) strategy and Single Status Agreement and ensure capacity and capability are available to achieve intended outcomes and timetables; and
 - the Council needs to complete its work in quantifying the financial benefits of its programme of efficiencies and organisational change by mid 2012-13, to determine the remaining funding gap (shortfall or surplus) and then establish clear plans to identify further savings and/or redirect resources to priorities.*
9. We also made four proposals for improvement, suggesting that the Council should:
- complete the work in progress to set clear success measures for all improvement objectives and ensure regular, clear reporting;²
 - develop and agree a detailed business plan for improving customer access showing how success measures will be achieved and offer value for money;
 - ensure its Annual Performance Report is published by 31 October in line with statutory requirements and more fully reflects Welsh Government guidance; and
 - improve quality assurance arrangements to ensure that data used to support performance management and monitoring is accurate and robust.
10. In our previous Corporate Assessment Update Letter in 2011 we also made the following proposals for improvement:
- by the end of 2011, the Council should complete the development of its medium-term financial plan so as to allow informed decisions on how funding pressures will be addressed and resources allocated to achieve improvement objectives;
 - by the end of October 2011, the Council should complete a review of overall progress with the People Strategy 2009-12, prioritise the outstanding actions and resources necessary to achieve them, and report on this to elected members; and
 - develop an improved corporate approach to engagement with communities and users of services including arrangements to enhance the contribution of elected members.

¹ These two recommendations follow from proposals for improvement made in August 2010 and August 2011.

² This proposal for improvement was first made to the Council in January 2011.

b) **Improvement studies**

11. In his letter of 13 March 2012, the Auditor General set out his proposals for this year's improvement studies. These are:
- key themes emerging from our audits of authorities' improvement objectives and their self-assessments of performance;
 - the effectiveness of scrutiny; and
 - authorities' reviews of governance and their preparation of Annual Governance Statements.

c) **Bespoke work**

12. Our proposals for this year's local work are set out in **Exhibit 1**.

Exhibit 1

Study	Rationale
Supporting and challenging the Council's self-assessment of its arrangements and its performance	The Council's ability to produce a robust, reliable self-assessment of its arrangements will provide valuable assurance as to its corporate health.
Collaboration with partners	Effective collaboration to secure resilience and improvement to services remains a challenge for all councils and their partners. Though focused across North Wales this year, the work will pave the way for an all-Wales improvement study in 2013-14.

d) **Audits of the 'Improvement Plan' and the 'Assessment of Performance'**

13. The Measure requires the Auditor General to undertake audits of whether the Council has discharged its duties in relation to improvement planning and the publication of improvement information, and has acted in accordance with Welsh Ministers' guidance.
14. Improvement authorities are under a duty to publish an Improvement Plan as soon as practicable after the start of the financial year. The Measure requires the Auditor General to carry out an audit of this plan and to state whether he believes that the Council has discharged its duties and acted in accordance with statutory guidance.
15. Improvement authorities must also undertake an 'Assessment of Performance' and publish improvement information by the end of October each year. The Auditor General is required to carry out an audit of the assessment and publication, and state whether he believes that the Council has discharged its duties and acted in accordance with statutory guidance.

Reporting

16. We will write to the Council to report the findings of the audit of the Council's Improvement Plan and comment on the robustness of the plans that the Council has put in place.
17. We will issue the Council with a report on each Improvement Study. A national summary of each Improvement Study will also be published.
18. We will write to the Council following our audit of the Council's self-assessment of its performance in 2011-12 to formally report the findings of the audit, including a commentary on the robustness and validity of the Council's own assessment.
19. We shall formally report our findings following our assessment of the Council's arrangements to secure continuous improvement.
20. We will publish an Annual Improvement Report that summarises and reports all the work carried out by the Wales Audit Office as well as that carried out by relevant regulators. We will aim to publish the Council's Annual Improvement Report early in 2013.

Local government studies

21. The Auditor General also has a duty to undertake studies of local authorities under sections 41 and 42 of the Public Audit (Wales) Act 2004. During 2012-13, the Auditor General will conduct a study of services provided to young people not in employment, education or training (NEETS).

Other work the Auditor General uses to inform his performance audit work at Flintshire County Council

22. The Auditor General may draw upon other work in reaching his conclusions in relation to the Council. This work includes:
 - the financial audit work of the Appointed Auditor;
 - the work of relevant regulators, particularly the Care and Social Services Inspectorate Wales (CSSIW), Estyn, and the Welsh Language Commissioner;
 - the Auditor General's programme of local performance audit work at individual NHS bodies;
 - the Auditor General's programme of value-for-money studies examining the economy, efficiency and effectiveness with which the Welsh Government and its sponsored and related bodies use their resources to discharge their functions; and
 - work that may have been commissioned by the Council.

The financial audit work of the Appointed Auditor

23. The Auditor General appoints auditors under the Public Audit (Wales) Act 2004 to audit and report on the accounts of local authorities. Audit reports include an opinion on:
- whether the financial statements give a true and fair view of, or present fairly, the state of affairs of the body;
 - whether the financial statements have been prepared properly in accordance with relevant legislation, directions and applicable accounting standards; and
 - the regularity of the transactions, at bodies where this is required.
24. Auditors will also examine the Council's governance statement or statement on internal control and report if it is not in accordance with relevant requirements or where it may be misleading or inconsistent with other information of which they are aware.
25. The Public Audit (Wales) Act 2004 also requires Appointed Auditors to satisfy themselves that an audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors will apply criteria specified by the Auditor General and will place reliance on the Improvement Assessment and other work carried out by the Auditor General or relevant regulators.

The work of relevant regulators

26. Estyn and the CSSIW also undertake work in relation to councils in Wales. The nature of that work and the legislative functions supporting it are described in [Appendix 2](#). [Exhibit 2](#) sets out the planned regulatory activity of Estyn and the CSSIW. This and other work that may arise will be included in updates of the WP&T.

Exhibit 2: Other planned regulatory activity

Estyn

Monitoring visit following the 2011 inspection of the Council's education services for children and young people.

Timing to be confirmed.

CSSIW

The CSSIW will identify any fieldwork for 2012-13 after completing their evaluation of performance in 2011-12.

To be confirmed.

27. The Welsh Language Commissioner (the Commissioner) monitors councils' progress in delivering services to the public in Welsh. The Commissioner works with councils to help them develop their statutory Welsh Language Schemes that outline the way in which they provide services to the public in Welsh.

The Auditor General's programme of local performance audit work at individual NHS bodies

28. As the external auditor of the NHS in Wales, the Auditor General also has a programme of financial audit and performance audit work in relation to individual local health bodies. As collaboration in health and social care becomes more prevalent, this work will have increasing relevance to his Improvement Assessment work.

The Auditor General's programme of value-for-money studies

29. Reports arising from the Auditor General's programme of value-for-money studies are usually laid before the National Assembly for consideration by its Public Accounts Committee. As many of these studies cut across the boundaries between different parts of the Welsh public sector, they will often be relevant to his work in local government. Although subject to change throughout the year, [Appendix 5](#) lists the value-for-money studies that the Auditor General is currently committed to. As indicated in [paragraph 19](#), the Auditor General's studies in local government can form part of a wider value-for-money study.

Work that may have been commissioned by the Council

30. Under the Public Audit (Wales) Act 2004 and the Government of Wales Act 2006, the Council may commission work from the Auditor General. The Council should discuss this in the first instance with the Wales Audit Office.

Appendix 1

Wales Audit Office performance work planned for 2012-13

Work to be undertaken at all councils leading to published national reports

- Improvement Study – effectiveness of scrutiny
- Improvement Study – authorities' reviews of governance and preparation of Annual Governance Statements
- Local Government all-Wales study 2012-13 – Young People not in Education, Employment or Training (NEETS)

Work to be undertaken at all councils and reported locally

- Audit of Improvement Plan
- Audit of assessment of performance publication, including testing and validation of an authority's assessment of performance
- Assessment of progress in implementing previous recommendations and proposals for improvement (see paragraphs 8-10)
- Performance Indicator audit
- Risk assessment of housing and council tax benefit

Bespoke projects

- Collaboration with partners (in preparation for an improvement study in 2013-14)
- Supporting and challenging the Council's self-assessment of its arrangements and performance

** Each year's work programme and fee cover one cycle of Improvement Assessment work. However, this work may not fit neatly within a period starting on 1 April and ending on 31 March. The delivery of our annual work programme may therefore overlap financial years.*

Appendix 2

Roles and responsibilities

The Wales Audit Office comprises the Auditor General and his staff. The Auditor General's main functions are set out in the Government of Wales Acts 1998 and 2006, the Local Government Act 1999, the Public Audit (Wales) Act 2004 and the Local Government (Wales) Measure 2009.

Performance Group Director

The Performance Group Director is directly accountable to the Auditor General for overseeing the delivery of all performance audit work at Flintshire County Council.

Manager local government region

The Manager reports to the Group Director and is the primary point of contact for the Improvement Assessment work at a senior officer and political level in local government bodies. The Manager will present reports of the Improvement Assessment to the Council.

Performance Audit Lead

The Performance Audit Lead plans and co-ordinates inputs to the Improvement Assessment at the Council.

Appointed Auditors

The Auditor appointed by the Auditor General must carry out audits that discharge the statutory duties placed upon them by the 1999 and 2004 Acts. The Auditor General publishes a Code that prescribes the way in which auditors are to carry out their functions.

Relevant regulators

The principal functions of the CSSIW are contained in Chapter 6 of the Health and Social Care (Community Health and Standards) Act 2003.

Estyn conducts inspections of Local Authority Education Services for Children and Young People under Section 38 of the Education Act 1997. These inspections form part of a three-year cycle that began in 2010-11. Estyn will also conduct follow-up inspections as necessary.

Estyn also has powers under the Education Act 2005 and Section 86 of the Learning and Skills Act 2000. Other Estyn inspections that may involve council provision are carried out under the Teaching and Higher Education Act 1998 and an agreement between Estyn and Jobcentre Plus. The period of notice for all Estyn inspections has been established by agreement between Estyn and the service providers in each sector. As this period is often quite short (normally three months), it is not possible to publish at the beginning of the financial year details of any inspections for which the provider has not received notification. In these cases, as soon as the provider is notified of the inspection, the details will be made available to the Wales Audit Office, to update the WP&T.

The Welsh Language Commissioner is an independent statutory body established by the Welsh Language (Wales) Measure 2011. The Commissioner's main function is to promote and facilitate the use of the Welsh language.

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Appendix 3

Wales Audit Office performance audit team

Name	Role	Phone	E-mail
Alan Morris	Group Director	07818 427472	Alan.Morris@wao.gov.uk
Huw Lloyd Jones	Manager	07813 822017	Huw.lloyd.jones@wao.gov.uk
Karen Lees	Performance Audit Lead	07799 343071	Karen.lees@wao.gov.uk

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Appendix 4

Fees

The proposed fee for April 2012 to March 2013 is £139,985 (plus VAT) and will be charged in equal instalments between April 2012 and March 2013. Our fee is set out below.

The Wales Audit Office receives a grant from the Welsh Government for delivering the Wales Programme for Improvement. Part of this grant is used to subsidise fees for Improvement Assessment work. This year the subsidy has been allocated on an equal basis across the 22 unitary authorities.

The fee

	Fee April 2012 to March 2013*
Total fee for Improvement Assessment and audits	£174,985
Less WPI subsidy	£35,000
Fee charged to the authority	£139,985

**The fee is for performance audit only and does not cover the financial audit work of the Appointed Auditor.*

Appendix 5

The Auditor General's programme of value-for-money studies

Work in progress

2007-13 EU structural funding

Informing healthcare

NHS consultant contract benefits realisation

Sale of the (former) River Lodge Hotel, Llangollen

Healthcare across the UK (in collaboration with the National Audit Office, Audit Scotland and the Northern Ireland Audit Office)

National Fraud Initiative 2010-11

The Welsh Government's relationship with the All Wales Ethnic Minority Association

Continuing healthcare

Emergency planning – civil contingencies

Education of looked after children

Picture of public services – health finances

Welsh Government location strategy

Public procurement of consultancy services

Child and adolescent mental health services – follow-up work

Forestry Commission Wales – follow-up work

Planned studies that are yet to start

Welsh Government arrangements for working with the third sector

Young people not in education, employment or training (NEETS)

Medicines management

Financial planning and management in higher education

Supply teachers (possibly in collaboration with Estyn)

Public sector workforce planning/managing workforce reduction

Grants to farmers (possibly focusing on the Glastir agri-environment scheme)

Note: In addition to this list, it is likely that the Auditor General will decide to publish a national summary report(s) following recent local NHS performance audit work on unscheduled care and the management of chronic conditions.



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 17 JULY 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **REPORT FORMAT**

1.00 PURPOSE OF REPORT

1.01 To present to members the proposed new format for the internal audit progress reports.

2.00 BACKGROUND

2.01 Previously Internal Audit has presented two progress reports to Audit Committee meetings: Operational Plan and Recommendation Tracking; and Final Reports and Performance Indicators. These reports were put into place some years ago and have evolved over that time. They are now cumbersome and too detailed, so that the overall message can be lost. In addition the reported Performance Indicators do not give any measure of outcome, merely the length of time taken to produce reports.

2.02 The Wales Audit Office in their review of Internal Audit for the last two years have commented that while the reports to the committee meet core requirements they could be smarter and present information in a more succinct way which would assist the committee in making informed decisions.

2.03 The Local Government Measure 2011 (the Measure) is now in force. The Statutory Guidance for the Measure has now been received and it states that 'the authority must ensure that audit committees are provided with all copies of auditor's reports, or the summary finding if felt more appropriate'.

2.04 Previously some performance data was included in the Finance Division quarterly reports to Overview and Scrutiny. That is no longer the case as it has been recognised that this could lead to duplication and complicate the roles of the committees.

2.05 The Audit Manager has compared the reports presented to the Flintshire Audit Committee with those presented to other Audit Committees across North Wales.

2.06 It is not thought necessary to change the format or content of the Investigations Report as this similar to those in other Authorities in providing an overview without going into detail. As with all reports, Members can request further detail if they wish. If the new format is accepted the content of the Investigations report will also be amalgamated into one overall Internal Audit progress report.

3.00 CONSIDERATIONS

3.01 At the Audit Committee training day on 15th June members of the committee were presented with copies of the current reports and an outline of the reports that are presented to other Authorities' Audit Committees. They were asked for their views, and some were received afterwards. At the committee meeting on 25th June the format of the reports was considered as part of the discussions during the meeting. It was resolved that the proposed format for new reports should be brought to the next meeting for consideration.

3.02 The appendices for the progress report in the new format are attached. The actual content of the final reports, operational plan and recommendation tracking are unchanged from the June committee so the report does not need to be reconsidered by the committee.

3.03 There is now a single report with five sections

- Reporting of final audit reports has been changed slightly. It was thought in the June meeting that it was acceptable to continue to bring details of the limited assurance report findings to the committee, with the other reports summarised. That summary includes the number of recommendations and their categorisation and the overall opinion. The guidance for the Measure now allows for a summary finding. The detail has been reduced so that the main findings are given in bullet points for each report, with the recommendations within the table. Audit Committee members will continue to be able to receive copies of any report that they wish to.
- Performance Indicators have been changed to more outcome related measures, and to differentiate between the performance of the internal audit department and the performance of other departments in dealing with audit reports and recommendations. They now include the % of audits completed within the time budget, the proportion of the polan completed, the return and results of client satisfaction questionnaires and the % of productive time. For other departments they include the time taken to respond to draft reports and the implementation of recommendations in the agreed timescale. These replace and expand upon the information that had previously been provided to the Audit Committee and to Overview and Scrutiny.
- The Operational Plan has been amended to show the progress

that is being made, with the number of planned and actual days work showing against each project. The plan also shows the additions and deferrals as they occur.

- Recommendation tracking has been reduced to show the overall position and report by exception those that the committee need to be aware of.
- Investigations – unchanged.

3.04 Once agreed, it is intended to use the revised format for reports from the September meeting. The views of members will be taken into account for the final version of the report.

4.00 RECOMMENDATIONS

The committee is requested to review the format and the level of information provided in the report and comment on whether it meets their requirements.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a direct result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a direct result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a direct result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a direct result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a direct result of this report.

12.00 APPENDICES

12.01 Internal Audit Progress Report

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

Statutory Guidance from the Local Government Measure 2011.

Contact Officer: David Webster
Telephone: 01352 702248
Email: david.webster@Flintshire.gov.uk

Appendix A

The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received limited or little assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			F	S	MA
CD0070R1	Procurement	Limited	0	8	5
FD0010R1	Financial Reporting	Adequate	0	4	2
FD0060R1	Pensions Admin	Substantial	0	1	4
FD0100R1	Leasing	Adequate	0	1	5
FD0160R1	Treasury Management	Substantial	0	1	4
FD0270R1	Council Tax & NDR	Adequate	0	2	5
LD0170R1	Electoral Registration	Substantial	0	0	2
IT0080R1	Self Service Passwords	Substantial	0	2	1
IT0310R1	Compliments, Comments & Complaints	Substantial	0	2	3
LL0060R1	School Transport	Substantial	0	0	2
LL0140R1	Facilities Services Catering	Limited	0	7	2
EN0040R1	Regeneration Partnership	Adequate	0	3	4
EN0070R1	Traffic Management Act	Limited	1	4	0
	Investigation Report				
OA9073R1	Streetworks Complaint	N/A	0	2	0

Levels of Assurance – standard reports.

Substantial – A robust framework of controls ensures objectives are likely to be achieved. In addition, controls are applied continuously or with minor lapses.

Adequate – A sufficient framework of key controls for the object to be achieved, but the control framework could be stronger. Or, controls are applied but with some lapses.

Limited – There is a risk of objectives not being achieved due to the absence of key controls. Or, there is significant breakdown in the application of controls.

Levels of Assurance – follow up reports.

Good. 80%+ of recommendations have been implemented. All fundamental recommendations have been implemented.

Reasonable. 50-80% of recommendations have been implemented. Any outstanding fundamental recommendations are in the process of being implemented.

Little. Less than 50% of recommendations have been implemented. Unsatisfactory progress has been made on the implementation of fundamental recommendations.

Categorisation of Recommendations

F - Fundamental

S - Significant

MA - Merits Attention

Fundamental – action is imperative to ensure that the objectives for the area under review are met.

Significant – requires action to avoid exposure to significant risks in achieving the objectives for the area under review.

Merits Attention – action advised to enhance control or improve operational efficiency.

Summary of Findings and Action Plan of Reviews with Limited Assurance

Procurement – CD0070R1

We have made eight significant recommendations, as follows:

- It does not explicitly state in the CPR's that the use of framework agreements and their associated contractors/suppliers is mandatory over all other sourcing methods i.e. approved list contractors.
- There is no central repository detailing all framework agreements and contractors /suppliers that are in place.
- There is no formal authority wide contractor rotation policy in place
- There are contractors on the approved list who have not been financially vetted within the approved time limits.
- Not all contractors on the approved list had the correct levels of insurance cover.
- Day work rates held on the approved list are two years out of date.
- The contractor default procedures are not always complied with.
- Officers of the Authority are using contractors which are not included on the approved list and negotiated supplier frameworks.

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Para	Recommendation	Categorisation	Management comment	Implementation date
3	To ensure that contractors are financially viable to carry out and complete work on behalf of the Authority, financial vetting of their accounts via a credit rating agency should be carried out at the predetermined 12 month interval (as prescribed in the CPR's). Consideration should be given to amending the CPR's if the prescribed 12 month interval is	Significant	The 12 month interval prescribed in CPR's is not workable and needs to be extended to 18 months, this allows time for accounts to be finalised after the end of a companies financial year. This request will need to be fed into the CPR review Exercise to now be undertaken to call in all Approved Contractor Accounts. This will be staggered over a number of months with 100 requests to be sent per month All approved contractors will be put on a ongoing financial monitoring alert via the creditsafe financial vetting system Full updated Work Instructions need to be written for the	31 May 2012 July 2012 30 June 2012 April 2012

Para	Recommendation	Categorisation	Management comment	Implementation date
	<p>unworkable.</p> <p>The above procedure should be documented to ensure continuity in the event of staff leaving the section responsible for carrying out the check.</p> <p>Consideration should be given to transferring the task of vetting contractors on the approved list to the Support Service Section (Environment). Alternatively, contractor financial accounts should be passed over by the Support Services Section to the Procurement Unit at the prescribed 12 month intervals.</p> <p>The Annual Workload Threshold of 50% should be applied using up to date annual account information.</p> <p>Consideration should be given to reviewing the Annual Workload Threshold of 50% as part of the next review and update of the CPR's.</p>		<p>Approved List of Contractor process</p> <p>It is agreed that the Financial Vetting Process, be undertaken by the Support Service Section (Environment). This will lead to improved efficiency and quicker turnaround times for the Application Process. Training will be required for those staff involved.</p> <p>These recommendations will need to be considered by the group undertaking the review of CPR's. This request will need to be fed into the CPR review</p>	<p>April 2012</p> <p>31 May 2012</p>
5	<p>All approved contractor insurances should be at the defined level of cover i.e. Public Liability cover for £5million or over and Employer Liability for £10 million or over.</p>	Significant	<p>CPR's only refer to a minimum level of Public Liability Insurance for Approved Contractors, no reference is made to any requirement for Employers Liability within CPR's. Currently 100% of Approved Contractors have the required minimum level of PI Insurance</p>	March 2012

7	Day work rates should be removed from the approved list.	Significant	Request will be made to IT to remove the Day Works Tab from the Approved Contractor Information System	August 2012
8	<p>All contractors used should be subject to a set of performance questions at the end of each completed job. In order to build up an overall performance rating the results should be input into the approved list database. An automated mechanism should be devised to identify and remind officers who have not input feedback.</p> <p>The CPR's should be amended to state that performance whether good or bad should be recorded on the approved list system</p> <p>The Contractor Default Procedure should be publicised on the Info net.</p> <p>All users of the contractor database should be contacted via email (email addresses can be found in the User Report supplied by IT) and be made aware of the requirement to use the Contractor Default Procedure. Additionally, this medium should also be used to convey any other instructions, updates etc.</p>	Significant	<p>Although in principle the idea is good, it could be very difficult to implement without a Corporate Contract Register being established to identify all such works and record them all in one place, as even low value small repair jobs would need to be subject to such a system.</p> <p>In order to implement this concept the Proactis e-sourcing solution will need to be considered as a direct replacement to the current in-house database. The Proactis solution will need to be configured with a view of undertaking a pilot project in advance of implementation date.</p> <p>Agreed, the CPR's should be amended to enforce the use of the current Contractor Default System for officer to record any poor or good contractor performance. This request will need to be fed into the CPR review</p> <p>Workforce Information Article to be written and placed on infonet. Develop information page on new Infonet</p> <p>Would require IT to set up a "User Group Notes Address" with any amendments i.e. new users, leavers etc also having to be done by IT</p>	<p>31 December 2012</p> <p>April 2013</p> <p>31 May 2012</p> <p>31 December 2012</p> <p>30 June 2012</p>
10	The CPR's should be amended to	Significant	This request will need to be fed into the CPR review	31 May 2012

	<p>clearly state that where a corporate contract or framework agreement is in place that they must be used unless an exemption from the CPR's has been obtained.</p> <p>A corporate decision should be taken as to whether framework agreement contractors must be used over and above the existing contractors on the approved list i.e. existing approved list contractors are to be removed from the framework category of work.</p> <p>All information relating to frameworks and contractors should be held in one location and be publicised and accessible to all relevant officers of the Authority.</p>		<p>The corporate decision to use individual framework agreements instead of existing contractors, shall be made on a case by case basis in conjunction with the Head of Procurement. In the event that framework contractors are deemed more beneficial, then an instruction will be made to remove existing contractors from the relevant category on the approved list.</p> <p>In order to implement this concept the Proactis e-sourcing solution will need to be considered as a direct replacement to the current in-house database. The Proactis solution will need to be configured with a view of undertaking a pilot project in advance of implementation date.</p>	<p>31 December 2012</p> <p>31 December 2012</p>
13	<p>All council employees should be made aware that authorising work from a contractor not on the approved list could result in disciplinary action for failure to comply with the Contract Procedure Rules.</p> <p>To raise awareness the approved list of contractors and the requirement to use them should be published on the info net.</p>	Significant	<p>The only way to prevent the use of Non Approved Contractors will be to enforce disciplinary action on those officers engaging the contractors. This was recommended to a recent Member Task & Finish Group on the Approved List. LSG/Exec report prepared by Robert Robins in 2010. This request will need to be fed into the CPR review</p> <p>Regular Workforce News Item to be written and posted on the Infonet. Development of Infonet page on new look Infonet</p>	<p>31 May 2012</p> <p>July 2012</p>
14	<p>A strategic meeting should take place between the officers responsible for the Flintshire County Council approved list and procurement officers from Flintshire, Denbighshire</p>	Significant	<p>Several meetings have already taken place between the three Authorities Lead Officers on the project and also Procurement Representatives. Agreement on the initiative has been reached in principle for the use of the system under Flintshire's management on a Rolling 12 month</p>	31 May 2012

	<p>and Wrexham to discuss:</p> <ul style="list-style-type: none"> Whether there is to be an inter authority approved list in operation between Flintshire, Denbighshire and Wrexham County Council. <p>Whether the e-sourcing system Proactis can be configured to operate as an approved list system</p> <ul style="list-style-type: none"> Whether the proposed North Wales Procurement Partnership minor works framework will supersede or work alongside of the current approved list. What the future role and purpose of the Flintshire Approved List is to be, against the backdrop of the Welsh Assembly Government's Value Wales agenda. <p>The outcome of this meeting will need to be communicated to/ agreed by CMT as per Internal Audit Report CD0030P1, Corporate Governance.</p>		<p>agreement with both DCC & WCBC contributing £20k p.a. each for the service.</p> <p>A corporate proposal is being considered to procure the Proactis e-sourcing solution, which will give access to an approved list management module.</p> <p>In order to implement this concept the Proactis e-sourcing solution will need to be considered as a direct replacement to the current in-house database. The Proactis solution will need to be configured with a view of undertaking a pilot project in advance of implementation date.</p> <p>The corporate decision to use individual framework agreements instead of existing contractors, shall be made on a case by case basis in conjunction with the Head of Procurement. In the event that framework contractors are deemed more beneficial, then an instruction will be made to remove existing contractors from the relevant category on the approved list. However, the development of a Minor Works framework agreement via the NWPP is currently being reviewed, with a strong possibility that the current tender process will be terminated.</p> <p>In order to ensure that the FCC approved list administration is consistent with the standardised Pre-Qualification Questionnaire (Squid) process developed by Value Wales, there is a need to ensure that the approved list solution is compatible and can be interfaced with the National Procurement Website. The implementation of the Proactis e-sourcing solution, should ensure that the interface is already in place, since Proactis and Value Wales are already in discussions with interfacing the two solutions.</p>	<p>31 December 2012</p> <p>April 2013</p> <p>April 2013</p> <p>April 2013</p>
9	A formally approved rotation policy should be developed to ensure the fair and equitable rotation of work	Significant	To ensure fair and adequate rotation of work around all available Approved Contractors a formal Contractor Rotation Policy should be adopted. This proposal was agreed by the	31 December 2012

	<p>across the Authority.</p> <p>A customer satisfaction form should be devised and issued on a random and periodic basis to contractors in order for them to express their views and opinions on the operation of the approved list.</p>		<p>recent Member Task & Finish Group on the Approved List and a working suggestion has already been drawn up. However, the requirement for the formal rotation of contractors, will need to feed into the CPR review. The implementation of the Proactis e-sourcing solution will also make available an in-built rotation of contractors functionality.</p> <p>A Customer / Supply Survey could be established and sent out to all Approved Contractors annually, the results of which could contribute to local PI's that could be established to monitor and improve the performance and management of the Approved List of Contractors. The implementation of the Proactis e-sourcing solution will make available functionality to carry out customer satisfaction surveys as well as monitor feedback as a performance rating.</p>	<p>31 December 2012</p>
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Facilities Services Catering – LL0140R1

We have made seven significant recommendations, as follows:

- Efficiency Savings have not been incorporated into the business plan.
- Income may not be received for all meals provided.
- Monies owed to the Council are not collected.
- The department will have a budget overspend.
- Salaries and wages have been incorrectly calculated.
- Free school meals may be provided without proof of eligibility.
- Service Level Agreements do not clearly state the charging arrangements for the collection of school dinner monies.

Ref	Recommendation	Categorisation	Management Comment	Implementation Date
1.1	Efficiency savings identified in the budget need to be incorporated into the service business plan. The business plan should state clearly the financial targets for the section.	Significant	Identified savings will be incorporated into the Facilities Services project plan as part of the Flintshire's Future Plan	May 2012
3.1	The debt should be analysed by school. In the absence of any analysis of debts, the catering staff should be reminded to complete the catering returns weekly stating the number of	Significant	The division will be trialling an online payment system in June which will incorporate the management of dinner debt	June/July 2012

Ref	Recommendation	Categorisation	Management Comment	Implementation Date
	dinner debts.			
4.1	<p>The information provided to the Catering Services department by Education Finance should provide an analysis of any overspends.</p> <p>The information maintained by the Catering Services department should be reconciled to the General Ledger. The stock received information should be reconciled to purchases of stock from the ledger. Any discrepancies should be investigated.</p>	Significant	<p>Budget monitoring on a monthly basis will commence in May 2012 with reconciliation between the weekly/monthly information from schools and the general ledger (Masterpiece)</p> <p>Stock usage will be monitored on a monthly basis and compared to targeted GP</p>	May 2012
6.1	<p>The Catering Services department must ensure that in all instances timesheets are kept on file and made available.</p> <p>In addition to this the department must ensure that all information from the weekly timesheets are checked and accurately transcribed into the master spreadsheet.</p>	Significant	<p>A sign in/out procedure will be put in place</p> <p>Email sent to admin team regarding the need for accuracy and any amendments logged with time sheets for audit trail</p>	<p>May 2012</p> <p>April 2012</p>
7.1	Schools should be reminded that they cannot provide free school meals to children who have not been notified to them as eligible	Significant	Guidance to be given to schools regarding the issue of meals to children (free or not) and be advised that Facilities Services will charge the schools hospitality code	April 2013

Ref	Recommendation	Categorisation	Management Comment	Implementation Date
	outside of the three week time period. The Catering Services department should follow up the cases with Ewloe Green to ensure that the free meals are no longer being provided and that the parent has been advised to complete the application form.		for any meals served under the instruction of the head teacher	
8.1	<p>An SLA should be in place between the schools and the Council stating how much has been allocated to them to pay for the collection of dinner monies and setting out expectations for delivering this service.</p> <p>Consideration should be given to implementing the cashless system into primary schools, thereby removing the need for the schools to carry out this function.</p>	Significant	<p>This will be under review pending the 'E-payment Project'</p> <p>The division will be trialling an online payment/EPOS system in June which will incorporate the management of dinner debt</p>	<p>April 2013</p> <p>June 2012</p>

Traffic Management Act – EN0070R1







We have made one fundamental and four significant recommendations, as follows:




- Failure to comply with legislation for submitting internal notices.
- A lack of procedural documentation for staff
- No agreement with street works staff for submitting notices
- No comparison exercises with other authorities for best practice.
- No monitoring of compliance currently in place.

Para	Recommendation	Categorisation	Management comment	Implementation date
1	Works for road purposes notices must be submitted to the Highways Regulatory Services Team for all highways works undertaken by the authority in order to comply with current legislation in place.	Fundamental	Further development of the Mayrise System will provide an automated process for notification.	1 April 2013
2	A procedural document for key staff detailing the exact requirements needed for the Highways Regulatory Services Team should be introduced.	Significant	Current code of practice outlining noticing requirements to be re-circulated to all Streetscene officers.	1 June 2012
4	Agreement will need to be obtained with key officers to establish a method to ensure that all notices required for each particular works undertaken are submitted to the Highways Services Regulatory Team. This may involve changing the way individual jobs are recorded.	Significant	See paragraph 1	1 April 2013

Para	Recommendation	Categorisation	Management comment	Implementation date
4	Liaison should be undertaken with other local authorities to determine best practice and the findings should be shared with management to determine a best way forward.	Significant	Whilst FCC are committed to the Mayrise system, contact will be made through the Mayrise user group to consider options currently being used in other Counties in respect of the notification process.	1 August 2012
5	Following agreement with key officers for adhering to the regulations, the regulatory team should consider undertaking this exercise on a regular basis in order that relevant officers can be notified of applications requiring notices to be submitted.	Significant	Quarterly performance reports to be issued to area managers for each Streetscene area.	1 April 2013

Internal Audit Performance Indicators

Performance Measure	Q4	Target	RAG Rating
Audits completed within planned time	91%	80%	
Average number of days from closure meeting to issue of draft report	15.9	20	
Average number of days from response to issue of final report	4.0	5	
Return of client satisfaction questionnaires	100%	70%	
Client questionnaires responses as satisfied	100%	95%	
Proportion of audit plan completed	79%	80%	
Productive audit days	69.8%	70%	
Days to return draft reports	28	20	 Note 1
Number of outstanding draft reports over target time	3	0	 Note 2
% of tracked recommendations implemented.	27%		 Note 3

Key  Target not achieved  Within 10% of target  Target Achieved

Note 1. Procurement 130 days. Discussions over corporate issues linked to regional and sub-regional collaboration and proposed national contract procedure rules. Four other reports where responses took more than 30 days.

Note 2. Financial System outstanding for 65 days. Work on budget and single status took priority.

Note 3. See analysis of recommendation tracking Appendix D

Operational Plan 2012/13

CORPORATE

Type	Audit	Plan	Actual	Status
Risk	Risk Management.	10		FEB
Risk	Procurement	20		JAN
Reg	Performance Indicators	20		OCT
Adv	Corporate Governance	10		JAN
Adv	Collaborations	10		ONGOING
Adv	Partnerships	10		JUN
Adv	Theatre Clwyd	20		SEP
Adv	Business Continuity	10		JUL
Consult	Flintshire Futures	30		ONGOING
Consult	Lean Team	30		ONGOING
		170		

FINANCE

Risk	Medium Term Financial Strategy and Plan	20		NOV
Reg	Main Accounting	50		DEC
Reg	Housing Benefit	20		FEB
Reg	Council Tax and NNDR	20		NOV
Adv	Housing Benefit Subsidy	15		TBA
Adv	Corporate Grants	15		WIP
Adv	Taxation	20		AUG
Adv	Flintshire Connects	10		TBA
		170		

PENSION FUND

Reg	Pensions Administration and Contributions	40		JAN
Addition	Pensions Contributions			
		40		

LEGAL AND DEMOCRATIC SERVICES

Adv	Commons Register	10		FEB
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Adv	Data protection	10		JAN
Adv	Members Allowances	10		NOV
		30		
HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT				
Reg	Payroll & HR System	50		DEC
Adv	Agency /Temporary Staff	10		MAR
Adv	Disciplinary Policy	15		OCT
Adv	Payroll / pensions	10		SEP
Adv	Single status – costing of pay model	15		TBA
Consult	Service Review	10		ONGOING
Consult	Midland Trent: Phase 2	15		ONGOING
Addition	I Trent – Private vehicles			
		125		
INFORMATION AND COMMUNICATIONS TECHNOLOGY				
Risk	Information Governance	30		AUG
Adv	IT Procurement	10		OCT
Adv	Electronic document management	15		FEB
Adv	Mobile working, mobile phone security, smart phones	20		AUG
		75		
LIFELONG LEARNING				
Reg	Grants	20		ONGOING
Adv	Leisure Centres - operation	20		AUG
Adv	Youth & Community	10		OCT
Adv	Facilities Services – Cleaning Services	10		NOV
Adv	Pupil Referral Unit	10		JUN
Adv	CCTV	10		NOV
Adv	Student Services	15		NOV
Adv	Free School Meals	10		OCT
Adv	Payments processing	10		WIP
Adv	Music Service	5		WIP
Adv	Funding Formula	15		TBA

Consult	Control Awareness Sessions New Heads and Governors	10		ONGOING
Consult	Develop audit presence on schools infonet	5		ONGOING
Schools	Central reviews	30		ONGOING
Schools	Risk based thematic reviews	30		ONGOING
Schools	Control and Risk Self Assessment	10		WIP
Addition	Payments processing			
Addition	Cheque book schools			
		220		
COMMUNITY SERVICES				
Risk	Sheltered Housing	10		FEB
Advisory	Mobile working and work ticket validation	25		DEFERRED
Advisory	Allocations	10		NOV
Advisory	Gas Servicing	15		AUG
Advisory	Rent Arrears	15		JUN
Advisory	Vehicle Tracking Follow Up	15		JUL
Advisory	Care Homes	10		JUN
Advisory	Disabled Facilities Grants	20		JAN
Advisory	Section 33	10		WIP
Advisory	Fostering	20		WIP
Advisory	Performance information	20		JUL
		170		
ENVIRONMENT				
Risk	County Town Network Regeneration and Protection	20		AUG
Risk	Highways Infrastructure	20		TBA
Risk	Waste Management	20		OCT
Advisory	Licensing	10		AUG
Advisory	Pollution Control	15		SEP
Advisory	Fleet Management	20		JAN
		105		
INVESTIGATIONS, PROVISIONS AND DEVELOPMENT				
	Pro-active fraud work and NFI	50		

	Provision for investigations	200		
	Provision for ad-hoc requests from Directorates	100		
	Follow up reviews	30		
	Audit Development - IDEA	30		
	Regional Collaboration	50		
		460		
	Overall Total	1565		

Recommendation Tracking

Status of Recommendations that have reached their Implementation Dates.

Title	Date Issued	Response Received	Recommendations		
			Due	Implemented	Not Implemented
CORPORATE					
Risk Management	Jul 2011	Yes	3	2	1
Procurement	Mar 2012	Yes	4	4	0
Use of Consultants	Jan 2011	Yes	6	0	6
		Total	13	6	7
FINANCE					
General Ledger	Apr 2008	Yes	1	1	0
Medium Term Financial Strategy	Dec 2011	Yes	4	3	1
Medium Term Financial Strategy	Apr 2011	Yes	2	0	2
Procurement	Sep 2009	Yes	1	0	1
Main Accounting	Dec 2011	Yes	6	2	4
Main Accounting	Sep 2010	Yes	1	0	1
Capital Programme	Jan 2012	Yes	1	0	1
Accounting for Assets	Sep 2008	Yes	1	1	0
Enforcement	Oct 2008	Yes	1	0	1
		Total	18	7	11
LEGAL AND DEMOCRATIC					
Data Protection	Oct 2011	Yes	1	1	0
Employment Practices Code	Mar 2010	Yes	2	0	2
		Total	3	1	2
HUMAN RESOURCES					
Holiday Entitlements	Sep 2010	Yes	3	0	3
Employee Appraisals	Jun 2011	Yes	6	2	4
Subsistence and Allowance	Feb 2009	Yes	3	2	1
		Total	12	4	8

ICT					
Masterpiece Security System	Apr 2011	Yes	1	0	1
		Total	1	0	1
LIFELONG LEARNING					
Youth and Community	Sep 2007	No	1		
E Teach	Aug 2010	Yes	3	0	3
School Budgetary Control	Nov 2011	Yes	2	0	2
		Total	6	0	5
COMMUNITY SERVICES					
Multi-skilling	Sep 2010	Yes	1	0	1
Rent Recovery and Enforcement	May 2009	Yes	1	1	0
Children's Services Taxis	Mar 2011	Yes	1	0	1
		Total	3	1	2
ENVIRONMENT					
Streetscene - Cleanliness	Feb 2012	Yes	2	2	0
Business Enterprise Units	May 2010	Yes	3	0	3
Section 106 Agreements	Feb 2011	No	3		
Fleet Management	Jun 2011	Yes	2	0	2
Data Management Public Protection	Mar 2010	No	11		
Technology Forge	Apr 2010	Yes	1	0	1
Design Consultancy	Mar 2006	Yes	1	0	1
Communities First	May 2011	Yes	1	1	0
		Total	24	3	7
		Total	83	22	46

Detail of recommendations that have been deferred several times and are still outstanding

Project Ref:	FL0070M1
	Procurement

Directorate:	Finance
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DATE OF AUDIT: September 2009

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
Page 197 3	CPR 1.1 states "Heads of Service must keep a register of all contracts completed". However, no such register of contracts completed is in place.	S	Recommendation: Each Head of Service must keep a Register of all Contracts completed. (CPR 1.1) To ensure that there is consistent practice across the Authority consideration should also be given to prescribing a specific format for the capture of this information. Management Comment: The contact officer group referred to in recommendation 1 will meet to consider adopting a threshold for contracts that need to be entered on a	30.10.09	Revised Date 1: End August 2010	No Compliance on this. The aim will be to gather this information from the nominated 4 per Directorate officers. We would also have to provide a useful threshold contract figure.
					Revised Date 2: January 2011	See point 1a)
					Revised Date 3: June 2011	An e-mail request has been sent in January 2011 to all service areas, requesting details of their contracts, in order to compile a corporate contract register. Further reminders will be sent out w/c 21 March 2011. A list detailing those officers who are yet to provide contracts lists is to be presented at CMT.

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
			corporate register. This should relate to all contracts entered into by all Directorates and Corporate Services.		Revised Date 4: January 2011	Now need to consult with Directorates to agree members Procurement Training is available on request. However by promoting such training conveys the message that the Council is content that procurement activity is controlled and managed within the Directorates. I would propose that the provision of training remains but only on request.
					Revised Date 5: September 2011	Revised Contract Procedure Rules are being developed nationally by a WLGA led working Group. It's expected that a Draft version of the CPR's will be sent out for wider consultation during April. It's expected that this work will be completed during August 2011, with the option to incorporate local variations. Hence, the need to consider the work of the national group prior to changing local CPR's
					Revised Date 6: 01.04.13	The implementation of the e-procurement solution will require that a corporate contract register is populated. Following an initial request for contract data , some contract register details has been captured. However, a full register will not be in place until the e-procurement solution is fully implemented by April 2013.

DATE OF AUDIT: October 2008

Project Ref:	FL0300L1
	Enforcement

Directorate:	Finance
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Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
4	With no current policy, and no proposals in the draft policy document referred to in paragraph 2, there is currently confusion around responsibility for the identification of Executors, and the submission of appropriate claims against the Estates of deceased service users.	S	<p>Recommendation</p> <p>Directorate Management need to determine where responsibility for the recovery of debt from deceased service users currently lies, to establish whether this is a function of the Enforcement team or the Legal team.</p> <p>A statement of policy and an operational procedure should be developed for the management of 'deceased with debt', which sets out;</p> <ul style="list-style-type: none"> Responsibility for the notification of deceased 	June 2009	Revised Date 1: March 2010	Significant resource issues have resulted in a delay implementing this recommendation.
					Revised Date 2: Nov 2010	Resource allocated to conduct review of Corporate Debt Policy and Procedures.
					Revised Date 3: Sep 2011	<p>The resources that had been recruited to work on Corporate Debt left the authority at the end of July 2010.</p> <p>It has subsequently been decided that Corporate Debt is to be fully reviewed as part of the Flintshire Futures programme and this issue will be addressed as part of that process.</p>

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Para.	Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
			<p>with debt to the relevant recovery team;</p> <ul style="list-style-type: none"> Responsibility for the identification of next of kin and Executors of the Estate; Responsibility for the submission of claims against the Estate. The arrangements for monitoring and managing 'deceased with debt' accounts. <p>Management Comment Registrar completes a deceased list weekly and distributes it to Local Taxation and Electoral Services. List needs to be made more widely available, via Infonet, and Operational procedure established.</p>		<p>Revised Date 4: March 2012</p>	<p>Corporate Debt has been designated as one of the Flintshire Futures Projects - this work has been reviewed as part of a Lean Project and further work done by Deloitte's to inform the Corporate Debt Project – a Project Initiation Document has been produced and agreed 24 November 2011 and the Project Board and Team identified – work will start in December 2011. This will cover all of the issues raised in this Audit, the original FF's Scope, the Lean Project recommendations and the Deloitte's Review recommendations.</p>
					<p>Revised Date 5 March 2013</p>	<p>The Corporate Debt Project has now commenced and a Debt Policy has been drafted which will be submitted for Members approval in September and will underpin the Corporate Debt process. All aspects of the lean review, Audit Reports and the Deloitte's report will be addressed as part of the project process.</p>

Project Ref:	LD0220N1
	Employment Practice Codes

DATE OF AUDIT: March 2010

Directorate:	Legal & Democratic
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Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
1.2.3	The application form states that short listed candidates will be asked to complete a "Disclosure of Criminal Convictions" form with disclosure being sought in the event of a successful application. There is inconsistency between the application form and CRB policy Disclosure forms (along with a request for subsequent disclosure) are only completed by candidates when they have accepted posts which are deemed within the CRB policy to require disclosure. No disclosure forms are completed at short listing or offer stage. The CRB policy (5.2) states that anyone applying for a post should disclose details of any	S	<p>Recommendation:</p> <p>The procedure for obtaining information relating to criminal convictions should be reviewed to ensure consistency is achieved between the CRB policy and application form.</p> <p>Management Comment::</p> <p>Application form is due for review and recommendations will be incorporated in scope</p>	01.07.10	Revised Date 1: 31.12.10	Application process and form has been reviewed and a report relating to the changes to the application form has been created and is currently awaiting approval before proceeding further – due 1 November 2010. CRB process is also being reviewed with the intention of ensuring consistency between the CRB policy and application form.
					Revised date 2: 1.6.2011	Further changes in legislation relating to absence will require further amendments to the application form. Currently we are sending out an addendum relating to this whilst the final changes to the application form are being approved.

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Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
	Convictions (including spent) and cautions, reprimands or warnings. There is no section on the application form for this to occur, details are only obtained upon receipt of the CRB results.				Revised Date 3: 31.12.11	CRB processes are being reviewed, a paper has been prepared for CMT relating to CRB checks and how to continue – this also links through the HR Service Review which will require a full review of current processes.
					Revised Date 4: 23.2.12	CRB report presented to CMT on 14 th Feb 2012 awaiting decision re agreement. All CRB processes mapped out in full.
					Revised Date 5: 31.5.12	IT have committed to making the changes to the application form as outlined in recommendation by 31 st May.

Project Ref:	CS0130M1
	Subsistence & Allowance

Directorate:	HR & OD
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DATE OF AUDIT: February 2009

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
1	<p>The allowance rates for incurred mileage are set nationally and are laid out in the National Agreement. (Green book).</p> <p>The amounts for post entry training are also set nationally and are detailed in the National Agreement.</p> <p>All other expenses including fares and subsistence are set locally. At present there is no policy or guidelines in which to follow. The most recent rates for hotel use is dated February 1997 and were written by the then HR Director.</p> <p>They have not been reviewed or increased during this eleven year period. Of the four Directorates examined only</p>	F	<p>Recommendation</p> <p>A policy or guidelines should be drawn up for staff to use prior to completing travelling and subsistence allowance claims. The policy should include clear guidelines on all rates of expenses, the process of completing the claim forms and other relevant information. The policy should be widely available to all staff and should be reviewed at least annually. This will ensure consistency and uniformity across all Directorates.</p> <p>Management Comment</p> <p>A policy / guidelines can be produced by Human Resources.</p>	31.07.09	<p>Revised Date 1: End of December 09</p> <p>Revised Date 2: 31 July 2010</p>	<p>Information relating to current expenses rates, practice across the Council, current written documentation including claim forms have been reviewed. The guidance now needs to be drawn up and circulated across the organisation.</p> <p>Resource has now been allocated to complete this work as a matter of priority. Draft guidelines for expenses have been drawn up by HR and will be circulated for comment by end of June 2010 once advice received from Kevin McSweeney has been incorporated (see below). Review of existing rates including benchmarking has taken place. Proposal to CMT by end of July.</p>

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Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
	<p>one Directorate was still using the hotel rates (ASC). Staff from this Directorate are only allowed to claim up to £75.11 basic allowance and up to £85.66 enhanced allowance, (London, Cardiff or Edinburgh). Staff from the other three Directorates were able to claim in excess of this if the claim had been duly authorised. (e.g. Hotel costs, C&H - £124.50, E&R- £110, Finance - £175.00.)</p> <p>The Auditor also found items of expenditure that did not relate to Travelling and Subsistence, that had been paid via the employee's claim form.. For example, one member of the E&R Directorate had claimed for coffee expenses and another had claimed for a hot water geezer. There was one instance where four members of the same office had incurred subsistence allowance, although just one member of</p>				<p>Revised Date 3: 30th November 2010</p> <p>Revised Date 4: 31 March 2011</p>	<p>Expenses Guidelines were drafted and circulated for comment and feedback by 9th July 2010. Clarity now being sought regarding elements of proposed guidelines and potential impact of Flintshire Futures programme. Contents of guidelines may be amended as a result. To be reviewed as FF programme is developed. HR to review position again before end of November.</p> <p>The need to review our position in relation to expenses and subsistence rates and practice has been reinforced given our current discussions on other Costs of Employment matters and proposals for change that are currently being formulated, discussed with the TUs and agreed with Elected Members. The natural progression from moving forward with these proposals will be to consider other elements under Costs of Employment, which will include expenses and subsistence. More time is required to do this and the work undertaken to establish our current position will not be wasted. Our proposals for change will be considered and formulated by the end of this financial year 2010 /11 in preparation for implementation in the early part of 2011/ 12.</p> <p>Some of the findings from Internal Audit do indicate that managers are not being vigilatn</p>

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
	<p>staff had claimed the subsistence rates on the other staff's behalf.</p> <p>Another member of staff was found to be using public transport to travel to local meetings within the County although they are paid essential car user allowance for providing their car for work.</p>				<p>Revised Date 5: October 2011</p>	<p>Whilst there are clearly 'housekeeping' issues regarding the proper authorisation of claims, it is felt that to review guidance and ensure that this is being closely adhered to by employees and managers should be implemented simultaneously.</p> <p>In line with ongoing discussions regarding above proposals.</p>
					<p>Revised Date 6: 1 April 2012</p>	<p>The Expenses guidance has been reviewed in light of Part 3 (terms and conditions) proposals and has been amended accordingly. The HR and OD team are currently designing and implementing the module on iTrent for Expenses and Subsistence (to enable employees to claim their expenses and managers to authorise claims electronically). The principles set out in the guidance need to be tested on the system and possible amendments made to the guidance if necessary to ensure that they are workable for processing both paper and electronic claims. The testing of the system is being carried out currently and will be completed by March 2012. The guidance will be finalised and implemented in readiness for the start of the financial year 2012 / 2013</p>

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
					Revised date 7: August 2012	As above – the delays we are experiencing are due to the fact that only a small minority of Managers have completed the iTrent Manager Self Service roll out process. We do also need to consider that the Part 3 negotiations (Single Status) may impact the roll out of the proposed expenses guidelines and associated processes.
3	Within the E&R Directorate it was not always the line Manager that had authorised the claim. The reason given for this relates to the line Managers not having an authority code to be able to authorise claims.	S	<p>Recommendation</p> <p>Only authorised line Managers should be authorising claim forms relating to their immediate staff. Authorising Officers should have a reasonable knowledge of the journeys made or subsistence claimed, prior to endorsing the travel claim form.</p> <p>Management Comment</p> <p>To be included in policy / guidelines</p>	31.07.09	Revised Date 1: As above	As above – recommendations re authorisation accepted and will be incorporated into written guidance.
					Revised Date 2: 31 st July 2010	As above – recommendations re authorisation accepted and have been incorporated into draft written guidance.
					Revised Date 3: 30 th November 2010	Guidance drafted but some elements may be in scope of Flintshire Futures programme. HR to review position again before end of November.
					Revised Date 4: 31 March 2011	See comments above regarding the review of expenses and subsistence rates and implementing guidance for authorisation simultaneously.

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Revised / Implemented Date	Management Comment / Progress
Page 207					Revised Date 5: October 2011	In line with ongoing discussions regarding above proposals
					Revised Date 6: April 2012	See explanation in 1 re progress. These requirements are set out in the guidance. Only managers who are authorised to approve claims will be allowed to do so on the iTrent system.
					Revised Date 7: August 2012	See explanation in 1 re progress. These requirements are set out in the guidance. CMT have agreed that Line Managers will be able to authorise expenses claims submitted on iTrent as they have a closer understanding of journeys etc carried out by the individual and all claims will be fully auditable.

Project Ref:	HW1000J1
	Design Consultancy

DATE OF AUDIT: March 2006

Directorate:	Environment
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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
6	The Design Consultancy service areas do not set time budgets for individual projects. The current time recording and time costing systems, maintained on excel spreadsheets, could be updated to include budgeted hours against project codes, but the Heads of Department believe this may result in spreadsheets which are already very large becoming too slow and cumbersome.	S	<p>Recommendation:</p> <p>The requirement for the setting, and subsequent inclusion of budgeted hours against each project code on the time costing system (to facilitate formal monitoring of time costs), should be formally considered by senior management.</p> <p>Management Comment:</p> <p>New combined consultancy will review systems available with a view to purchasing new system in financial year 2006/07.</p>	1 April 2007	2	<p>Revised Date 1:</p> <p>1 April 2008</p>	<p>Comment Received: June 2007</p> <p>New Consultancy is still being set up under Framework. The various systems will be reviewed with a view to obtaining a new system in the financial year 2007/08</p> <p>Revised Implementation Date: 01/04/2008</p> <p>The original spreadsheet system is still being used but it is anticipated that a collaborative system will be developed to the specifications required and made available to all North Wales Partner Authorities later this financial year.</p>

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ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
Page 209	<p>The Heads of Department consider that in the absence of a time management system which allows the inclusion of budgeted hours against project codes, their periodic review of summary costing reports (paragraph 4), and their detailed knowledge of the work carried out within the teams, ensures they are aware of time charged against each project, and as such are able to informally monitor time charges for appropriateness.</p> <p>Internal Audit consider implementation of earlier recommendations to ensure the adequacy of timesheet review and authorisation procedures (paragraph 3) would ensure the departmental heads are aware of time allocation against individual project codes on a week by week basis.</p>					Revised Date 2: 01/04/2009	<p>The existing Time Management system has limitations and to incorporate budgeted hours within the process would have significant resource implications on the section. However, in linking this to the TASK System implementation later in 2008/09, budgeted hours can be incorporated within the set up of this.</p> <p>Please note that the income budget acts as the target for the Consultancy Team. In 2007/08, this totalled £742k.</p>
						Revised Date 3: 01/04/2010	<p>As mentioned above, the TASK System implementation for Time Recording is still awaited due to changeover problems from Windows to Web Based System.</p> <p>However, overall, the Consultancy Team income budget in 2008/09 totalled £750k and was measured against the chargeable time on the timesheets.</p>
						Revised Date 4: 01/04/2011	<p>It was anticipated that TOTAL/TASK be used for this process. However, due to resource implications, this has not progressed as planned. Therefore, the original spreadsheet system is still being used but it is anticipated that a collaborative system will be developed to the specifications required and made available to all North Wales Partner Authorities later this financial year.</p>

ACTION PLAN

Para.	Original Test result / Implication	Cat	Recommendation and Management Comment	Original Agreed Implementation Date	Status	Revised / Implemented Date	Management Comment / Progress
						Revised Date 5: 01/04/2012	Collaborative system under active development with Partner Authorities. About to go out to tender to software companies to deliver a web based system.
						Revised Date 01/04/2013	Development of new system on hold pending internal Service Review. Also there have been delays with Partner Authorities. Collaborative system to be jointly reviewed Autumn 2012