

# Public Document Pack

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



To: Cllr Alison Halford (Chair)

CS/ST

Councillors: Glyn Banks, Haydn Bateman,  
Alan Diskin, Patrick Heesom, Ian Roberts and  
Arnold Woolley

9 July 2013

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 **WEDNESDAY, 17TH JULY, 2013** at **10.00 AM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

## **AGENDA**

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 1 - 14)  
To confirm as a correct record the minutes of the meeting held on 12 June 2013 (copy enclosed).
- 4 **DRAFT STATEMENT OF ACCOUNTS 2012/13** (Pages 15 - 140)  
Report of Head of Finance enclosed.

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County Hall, Mold. CH7 6NA  
Tel. 01352 702400 DX 708591 Mold 4  
[www.flintshire.gov.uk](http://www.flintshire.gov.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NR  
Ffôn 01352 702400 DX 708591 Mold 4  
[www.siryfflint.gov.uk](http://www.siryfflint.gov.uk)

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

- 5 **ANNUAL GOVERNANCE STATEMENT** (Pages 141 - 146)  
Report of Head of Legal and Democratic Services enclosed.
- 6 **SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2012/13** (Pages 147 - 152)  
Report of Head of Finance enclosed.
- 7 **FINANCIAL PROCEDURE RULES** (Pages 153 - 230)  
Report of Head of Finance enclosed.
- 8 **CONTRACT PROCEDURE RULES** (Pages 231 - 286)  
Report of Head of ICT and Customer Services enclosed.
- 9 **COUNCIL BANKING ARRANGEMENTS** (Pages 287 - 290)  
Report of Head of Finance enclosed.

## **AUDIT COMMITTEE** **12 JUNE 2013**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in Clwyd Committee Room, County Hall, Mold CH7 6NA on Wednesday, 12 June 2013

### **PRESENT:**

Councillors: Glyn Banks, Haydn Bateman, Alison Halford, Patrick Heesom, Ian Roberts and Arnold Woolley

**LAY MEMBER:** Mr Paul Williams

**SUBSTITUTE:** Councillor Bernie Attridge (for Alan Diskin)

### **IN ATTENDANCE:**

Chief Executive, Head of Finance, Head of Legal & Democratic Services, Internal Audit Manager, Democracy & Governance Manager and Committee Officer

Mr. John Herniman of Wales Audit Office

Mr. Huw Lloyd Jones of Wales Audit Office

## **1. APPOINTMENT OF CHAIR**

The Head of Legal & Democratic Services explained that due to restrictions imposed under the Local Government (Wales) Measure 2011, the Chair of the Committee could not be appointed from any political group with a seat on the Cabinet.

Councillor I.B. Roberts' proposal that Councillor A.M. Halford be appointed Chair was duly seconded. On being put to the vote, this was carried.

### **RESOLVED:**

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

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

The Chair advised that the former Vice-Chair, Mr. Paul Williams, was unable to continue in that role due to work pressures. Whilst thanking him for his excellent work in his former role, she paid tribute to his expertise during some challenging situations and looked forward to his continued support as a valued member of the Committee. She requested that officers write to Councillor R.B. Jones to express thanks for his work as a former member of the Committee over the past year and took the opportunity to thank Councillor G.S. Banks who she said had become an influential member of the Committee since being elected last year.

The Chair proposed that Councillor P.G. Heesom be appointed Vice-Chair of the Committee. This was duly seconded and on being put to the vote, was carried with six votes for and one against.

**RESOLVED:**

- (a) That Councillor P.G. Heesom be appointed Vice-Chair of the Audit Committee; and
- (b) That a letter be sent to Councillor R.B. Jones to thank him for his work on the Committee.

**3. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

No declarations of interest were made.

**4. MINUTES**

The minutes of the meeting of the Committee held on 13 March 2013 were submitted.

Accuracy

Minute 61: Treasury Management Update 2012/13 - Councillor G.S. Banks said that he had not voted in favour of resolution (b) on joint investments. The Head of Legal & Democratic Services suggested that the resolution be amended to read 'the Committee' rather than 'Members'.

Matters Arising

Minute 58: Minutes of the Previous Meeting - On the matter relating to the delay of the closure of the accounts, Councillor G.H. Bateman asked if a copy of the letter to the complainant could be shared. Mr. J. Herniman agreed to check this and said that if it was possible for the information to be anonymised, he would arrange for the letter to be circulated to the Committee. He confirmed that the matter had been resolved and the accounts for 2011/12 had been closed.

Minute 62: Audit of Financial Statements 2011/12 - The Chair sought an update on the position with balancing entries on the 2012/13 accounts. The Head of Finance was pleased to report that this had been resolved for the income and expenditure accounts and that progress was being made on cashflow statements.

Minute 63: Internal Audit Progress Report - the Internal Audit Manager confirmed that he had circulated the requested information on recommendations on 16 May 2013 and that a further update would be given later on the agenda. A response to the request for details on Contract Procedure Rules (CPRs) had been circulated to the Committee on 8 May 2013. It was advised that the CPRs had been prepared in draft and that work was progressing to the final stages.

**RESOLVED:**

That, subject to one amendment, the minutes be approved as a correct record and signed by the Chair.

Councillor P.G. Heesom wished it to be recorded that he had abstained from voting.

## **5. WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT**

The Chief Executive congratulated the Chair and Vice-Chair on their appointments and thanked Mr Paul Williams for his contribution as the former Vice-Chair. He introduced the Council's Annual Improvement Report 2012 published by the Auditor General for Wales and the Council's response, which had been approved by Cabinet and was presented to the Audit Committee for it to assure the response as appropriate and proportionate.

Mr. Huw Lloyd-Jones of the Wales Audit Office (WAO) said that this was the most encouraging of the three Annual Improvement Reports for Flintshire to date under the Local Government (Wales) Measure 2011 and confirmed that there were no new formal recommendations or proposals for improvement. He summarised the work undertaken by WAO and other regulatory bodies in respect of the Council's performance in, and evaluation of, 2011/12 and work planning for 2012/13. Appended to the report was a list of proposals for improvement made in past reports, most of which had been completed or superseded by newer ones.

The Chief Executive summarised the Council's response and said that the WAO report was a fair capture of issues which reflected Flintshire in a good position. He said it was important to note that no new statutory recommendations had been made and that significant progress had been made with previous ones. Significant work had been done on the Housing Business Plan and on performance management and reporting systems, work was progressing on the final draft of the Improvement Plan which was based on a 'sharper' set of Council Priorities to be shared with Members later in the week. WAO work on governance had provided reassurance on the strength of the Council's arrangements. The updated Medium Term Financial Plan (MTFP) would also be shared with Members in a report to Cabinet later in the week to be followed up by a further revision in October 2013.

Councillor P.G. Heesom welcomed the approach taken by the new administration in moving forward on Flintshire Futures but felt that more could be done on economic development due to Members' concerns at the lack of co-ordination between Town Centre Masterplans.

Mr. Lloyd-Jones did not comment on the concerns about economic development but said that a joined-up approach with other areas including Cheshire and Merseyside would be required. On Flintshire Futures, he said that some projects were ambitious and that further work was needed on clear definition of benefits to feed into forward planning, however savings from some of the longer term projects would only be realised if relevant decisions were taken early enough. The Chief Executive said that significant progress had been made on Flintshire Futures with a further phase of work due to begin over the summer.

Councillor Heesom commented on the availability of the Euro funding stream and said that Members were unclear on whether particular projects had benefited. Mr. Lloyd-Jones and Mr. J. Herniman replied that this had not been

included in the scope of the WAO performance audit. Councillor Heesom felt it would be helpful if WAO could offer such advice in future.

In welcoming the positive movements within the report and the Council's response, Mr. P. Williams said that improving the robustness of the MTFP was a key priority in forward planning and that any actions should be specific on measuring outcomes to enable progress to be monitored.

The Chair sought a further response following Councillor Heesom's comments on regeneration. Mr. Lloyd Jones explained that WAO comments had been around measuring impact of projects and not what the Council was doing, as targets had been met. He added that Flintshire was in a better position than most Councils across Wales in terms of headline figures, however research on inconsistencies across Wales, exemplified within the report, may influence actions going forward.

In response to queries from Councillor G.H. Bateman, the Chief Executive explained that a revised business plan had been submitted to the Welsh Government (WG) to achieve the Wales Quality Housing Standard (WQHS) by 2022, with an option to reduce this timescale to 2020 with WG approval for borrowing capacity. Negotiations were ongoing between the UK Government and WG on an exit from the Housing Revenue Account Subsidy System (HRAS), with an outcome expected around the end of the month.

On the WAO suggestion for an accountable officer to take responsibility for the information asset and associated risks, the Democracy & Governance Manager said it had been agreed that the Head of Legal & Democratic Services would be the Council's Senior Information Risk Owner (SIRO).

Councillor G.S. Banks noted in the report that performance in primary schools remained lower than expected and questioned whether this was due to poor performance in a minority of cases. Mr. Lloyd-Jones acknowledged this and said that based on the overall proportion of young people in all Flintshire primary schools, performance at Key Stage 2 level was considerably lower than expected, taking into account the demography. The Chief Executive said that the Council was aware of these performance issues and gave assurance that these were being worked through under the strategy for school improvement and standards. However, an important benchmark was to recognise that Flintshire was one of only a few Councils in Wales where schools were no longer under any form of Special Measures. Intervention by Members and officers on improving performance in schools had been positively reflected in the Estyn inspection report.

Responding to a query raised by Councillor Bateman on the reporting of Improvement Priorities, Mr. Lloyd-Jones spoke of differing arrangements and levels of Member involvement in the business of Councils. It was thought that including the names of Cabinet Members on Improvement Priorities progress reports would help them to take ownership of their portfolios.

Councillor Heesom noted WAO advice on Key Stage 4 outcomes and said that earlier results had been less assured. He went on to speak of the

importance of education, acknowledging the number of committed community schools in Flintshire.

On performance at Key Stage 2, Councillor I.B. Roberts referred to forthcoming changes to standardise the methods of assessment across Wales and the impact of a new system of tests by WG to be introduced the following year. He welcomed the decision by Estyn to remove Flintshire from the follow-up monitoring category which coincided with four other Councils being entered into this. He also commented on the good inspection by Estyn and said that the vast majority of primary schools in Flintshire were performing particularly well.

**RESOLVED:**

That the Wales Audit Office Annual Improvement Report and the Council's response be noted.

**6. COLLABORATIVE PROJECTS ARRANGEMENTS**

The Chief Executive introduced the report to consider the scrutiny of performance of collaborative projects, as requested at the previous meeting. This included an overview of regional collaboration in North Wales to give assurance that the Council was meeting its commitments under the National Compact and on suitable arrangements to govern, review and evaluate collaborative working.

The Chief Executive commented on previous concerns raised by Members on the Telecare project, as an example, arising from communication on the transition stages, which had led to detailed discussion. He explained that the report aimed to clarify roles for both the Audit Committee and Overview & Scrutiny for the increased number of collaborative projects undertaken by the Council as well as including details of current examples. Within the appended Regional Collaboration report, he highlighted the sections on the tracking of new collaborative projects prior to implementation together with those on assessing performance and governance arrangements on which the Audit Committee would have a key role. He spoke of the role of Overview & Scrutiny and Cabinet on business cases, holding to account and reporting, and said that the involvement of Audit Committee would add to quality assurance. He then made a suggestion that the protocol be developed.

Councillor P.G. Heesom said it was important that collaborative arrangements did not conflict with local arrangements and felt that correlation between the two had not been resolved. He spoke of the Medium Term Financial Plan (MTFP) and the need to look at a financial planning framework for collaborative arrangements.

In response to the comments on a local fit, the Chief Executive said that each Council did and would take this into account during reviewing business cases for collaboration. For example, the protection of schools and quality of support had been a key issue for School Improvement which Council had endeavoured to meet, whereas the CCTV regional project had been rejected due to proposals not meeting local need. During agreement of business cases, financial planning was and would be built in.

Councillor I.B. Roberts pointed out that with the exception of the Mersey Dee Alliance, there appeared to be an absence of partners from English Councils on the collaborative projects listed. The Chief Executive said that the only regional formal collaboration of this type at strategic level was for transport and economic development. He pointed out that significant progress had been made on collaboration and for the future, more radical solutions may necessitate cross-border collaboration.

The Internal Audit Manager referred to involvement of his team on collaborative models by reviewing business cases, the agreement that the Internal Audit department of the lead Council on individual collaborations undertook the audit of those areas and the reviews of governance where the arrangements were for Joint Committees with Flintshire as the lead Council.

Councillor A. Woolley referred to the importance of cross-border working on the Mersey Dee Alliance.

Councillor J.B. Attridge spoke of the potential for future changes in Local Government arising from the Welsh Government Public Services Commission.

**RESOLVED:**

- (a) That the arrangements in place for the scrutiny of performance and collaborative projects be noted and monitored; and
- (b) That the protocol for collaborative projects be developed to include the role of the Audit Committee.

**7. BRIEFING MEETING HELD ON THE 22 FEBRUARY 2013**

The Democracy & Governance Manager presented a report arising from the briefing meeting held on 22 February 2013 between Audit Committee Members and Overview & Scrutiny Chairs. He explained that the meeting had been arranged to discuss the implications of changes in legislation as part of the Local Government (Wales) Measure 2011 and subsequent statutory guidance, to clarify the roles of the Audit Committee and Overview & Scrutiny Committees. The report detailed the points which had been agreed at the briefing meeting which included agreement on arranging regular meetings in the future.

The Chair referred to the extended role of the Audit Committee and said that during a meeting with the former Vice-Chair and Amanda Hughes from Wales Audit Office (WAO), the matter of inconsistencies in sharing information had been discussed.

In providing clarification, Mr. P. Williams said it had been suggested that Overview & Scrutiny Chairs could be better advised of findings which had been brought to the Audit Committee and that the aim of the regular meetings was to share information between both parties. He added that with assistance from the Internal Audit Manager, issues on recommendations for a specific section could be cascaded to the appropriate Overview & Scrutiny Committee.



The Head of Legal & Democratic Services said that there was a potential overlap of roles between the Audit Committee and Overview & Scrutiny in looking at the same issues from different perspectives. He said that the Audit Committee should ensure it was satisfied with the process between Cabinet and Overview & Scrutiny and flag up any inconsistencies. The briefing meeting was to ensure that all parties understood the different roles to avoid duplication of work.

The Democracy & Governance Manager added to the comments made by Mr. Williams in that the regular meetings would assist in forward planning to enable topics to be considered by Overview & Scrutiny before reaching Audit Committee.

The Chair referred to the first point under the heading on managing the relationship which was indicated on the notes of the briefing meeting. The Democracy & Governance Manager said that this could be explored at the next briefing meeting which he would arrange.

**RESOLVED:**

- (a) That the issues arising from the briefing meeting on 22 February 2013 be noted; and
- (b) That a further joint meeting be arranged.

**8. ESTYN MONITORING VISIT**

The Democracy & Governance Manager introduced a report on the processes in place in relation to the Estyn monitoring visit of 4-8 February 2013 and explained that this reflected discussion on the previous item about a topic which had been brought to the Committee after consideration by Overview & Scrutiny. The process meant that Overview & Scrutiny were responsible for ensuring that the action plan dealt with the recommendations made by Estyn and it was reported that the Lifelong Learning Overview & Scrutiny had been satisfied with the position at its meeting on 6 June 2013. Consideration of the report at Audit Committee would provide extra reassurance of the action plan that was in place.

As Chairman of the Lifelong Learning Overview & Scrutiny Committee, Councillor I.B. Roberts was disappointed that local news coverage had focussed on Councils which had been placed into monitoring by Estyn, rather than those such as Flintshire which had been removed. He went on to express his gratitude to officers who had helped to contribute to the good quality of outcomes.

The Chief Executive assured the Committee that key changes were being tracked through regular reports to Cabinet and Overview & Scrutiny.

Mr. J. Herniman of Wales Audit Office (WAO) commented on the role of the Audit Committee in ensuring that recommendations were tracked and the link with Overview & Scrutiny.

Councillor J.B. Attridge referred to paragraph 3.01 of the report and noted that the difficult decisions and positive actions taken by the current administration

had been recognised in the letter from Estyn. These comments were endorsed by Councillor Heesom.

**RESOLVED:**

That the processes in relation to the Estyn monitoring visit of 4-8 February 2013 be noted.

**9. ANNUAL ASSESSMENT OF INTERNAL AUDIT 2012/13 (WAO)**

The Head of Finance introduced the report on the outcome of the Wales Audit Office (WAO) annual assessment of Internal Audit. She confirmed that contractual arrangements with RSM Tenon Plc had concluded at the end of May 2013 and that the Internal Audit Manager was now an employee of the Council. The Chair took the opportunity to congratulate the Internal Audit Manager.

The Internal Audit Manager gave an overview of the report, explaining that Internal Audit had been fully compliant with nine of the eleven standards and partly compliant with the other two. Recommendations had been made on these two areas which related to staffing, training and continuous professional development and performance, quality and effectiveness. The Internal Audit Manager said that this would be the last assessment carried out against the current set of Chartered Institute of Public Finance Accountancy (CIPFA) standards.

Mr. J. Herniman of Wales Audit Office (WAO) remarked that the new standards would involve a more rigorous process and pointed out an error on paragraph 32 of the WAO report on the recording of work which should have referred to paragraphs 38-40 and not 40-41.

Mr. P. Williams asked if the Internal Audit function was sufficiently staffed to carry out work on the Plan. Mr. Herniman said that the overall structure, if populated, would be sufficient. In the event of any special investigations, he suggested that appropriate contingencies should be built-in to absorb the impact on core work. On the second recommendation made by WAO, Mr. Williams asked if there were any points that the Audit Committee should be made aware of. Mr. Herniman replied that there was no implied criticism and that these were process type issues which the Internal Audit Manager would take forward.

In response to queries raised by the Chair on the standard of Internal Audit files, Mr. Herniman said that this was generally satisfactory and that files should be well documented with a link to risks and reviews undertaken. Although five files had been tested to draw a general conclusion, more detail would be required as part of the Quality Control Review under the new set of standards.

Councillor G.S. Banks referred to discussion at a previous meeting on an unfilled vacancy within Internal Audit. The Internal Audit Manager explained that a successful candidate had withdrawn at a late stage and without a suitable replacement, the recruitment process would have needed to start afresh. It had therefore been decided to appoint temporary workers during the year to deal with work on the 2013/14 Plan and to review the situation this year. The major

investigation had since commenced, presenting a further pressure, and additional resources had been brought in to help.

The Chief Executive spoke of the need to balance the scale of the Plan with the resources.

The Head of Finance remarked that seeking to manage resources and balancing risk was a key feature of discussions with the Internal Audit Manager. She spoke of the nature of audit work being risk based, adding that the Committee had been supportive of the provision of extra resources, endorsed by Cabinet.

**RESOLVED:**

That the report be noted.

**10. INTERNAL AUDIT ANNUAL REPORT**

The Internal Audit Manager introduced the report on the outcome of all audit work carried out during 2012/13 and to give the annual Internal Audit opinion, which was that the Council had adequate and effective arrangements in place for internal control, risk management and governance. He outlined that this opinion had been reached by membership of the Corporate Governance Working Group, a review of risk management and an overview of all audits completed during the year. On section 2.9 of the annual report, he pointed out that the average number of days from the closure meeting to issuing of the draft report should be 25 days rather than 31.80.

Councillor J.B. Attridge asked why there was no Member representation on the Corporate Governance Working Group which was responsible for preparing the Annual Governance Statement (AGS). The Chair said that both she and the former Vice-Chair had raised the same point. The Democracy & Governance Manager advised that the working group's task was technical in following guidance from the Chartered Institute of Public Finance Accountancy (CIPFA) and that there was no political or policy input. Although outcomes were reported to the Audit Committee followed by full Council, consideration was being given to involving the Committee informally, if timescales permitted, prior to formally receiving the AGS.

To further clarify, the Head of Legal & Democratic Services explained that the remit of officers on the working group in drafting the AGS included evaluating responses to questionnaires from Heads of Service to decide adequacy and any areas of challenge. This was not at a strategic level where there would be an expectation for Member involvement, particularly in view of the level of detail and time required, and reiterated comments made by the Democracy & Governance Manager on the proposed further involvement by the Committee.

Councillor P.G. Heesom said that a clear distinction should be made between the statement of governance for the purpose of audit and the code of governance in the Constitution.

Councillor Attridge felt that Member involvement and challenge was required at an earlier stage in the process. The Chair invited Wales Audit Office (WAO) representatives to offer a view. Mr. J. Herniman said that there was an opportunity for Members to challenge the process when the AGS was submitted at July and September meetings, and suggested that the document could be shared with the Committee during the year to flag up any issues and provide reassurance, as opposed to a year end exercise.

The Chief Executive spoke of the relevant balance of Member involvement reflected in the AGS. In response to discussion on the working group, he reiterated that this was a highly technical meeting which took place on a frequent basis and said that officers would consider further the options for more Member involvement in the AGS process for Members to make a choice which would work for them and meet their needs.

Councillor G.H. Bateman commented on the level of recommendations made in 2012/13 for Finance. The Internal Audit Manager explained that the summary of all audit opinions and recommendations for 2012/13 contained a high number of recommendations on reports for Financial Systems for year end 2012 and for Housing Benefits, however in overall terms, there were substantially less than the previous year.

In order to monitor progress, Mr. P. Williams suggested that an additional set of data be included to show the outstanding number of recommendations still relative to the reporting period. He referred to the impact of the major investigation on this year's work and pointed out that the comparison of assurance levels in 2012/13 may not be a true reflection of the current situation as some reports may not have been finalised. The Internal Audit Manager agreed to take the former suggestion into consideration for the next report to the Committee. In response to the latter, he said that the 200 days allocated in the operational plan for last year had been increased to 300 days in 2013/14 to allow for work on the major investigation which was nearing completion. On the data provided, he said that the Annual Report had been finalised at year end and that there would always be a carry over period at that time.

**RESOLVED:**

- (a) That the report be noted;
- (b) That officers consider options for more Member involvement in the preparation of the Annual Governance Statement; and
- (c) That the Internal Audit Manager give consideration to the suggestion for future reports to include an additional set of data on the outstanding number of recommendations still relative to the reporting period.

**11. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager presented the update report on progress of the Internal Audit department. On the Operational Plan for 2012/13, he advised that most projects had been completed and gave an update on the status of the remaining 20 draft reports, including seven which were awaiting management

responses. Three of these, relating to Finance, Risk Management and Lifelong Learning, had exceeded the time period and reasons were given for the delay in each case.

Councillor P.G. Heesom said that minutes of previous Audit Committee meetings had highlighted concerns on tracking. The Chair spoke of efforts by Mr. P. Williams on the reporting of tracking recommendations. The Internal Audit Manager explained that this section dealt with responses to draft reports rather than recommendation tracking, which featured later in the report.

In response to remarks about the outstanding response from Lifelong Learning which had been due to an oversight by a manager, the Head of Finance said that a deadline date would be needed for this, however officers were keen to improve the recommendation tracking process and there was no complacency in pursuing managers.

Councillor G.S. Banks felt that managers should justify reasons for their delayed responses to reports for their own areas. The Internal Audit Manager agreed that this should be the case where there was an issue, however he was satisfied that the example mentioned had been due to an oversight. The Chief Executive suggested that on larger reports, it may be more beneficial for the Auditor to arrange an appointment with the relevant manager to agree a response before the deadline.

Outcomes of reports which had been finalised since last reported to the Committee indicated two at 'Red' assurance level, details of which were appended to the report.

On Petty Cash Imprest Accounts, Councillor I.B. Roberts referred to the impact on schools in Flint and Queensferry of the closure of two local branches of Nat West bank and asked if alternative arrangements would be made in light of the agreement made for school banking service provision. The Head of Finance said it had been unfortunate that the Council had only received notice of the closures at a late stage and that arrangements had been made with Nat West for users to access alternative services. She confirmed that the new arrangements had been communicated to establishments, with three responses still outstanding. She went on to say that tendering of banking services would be undertaken in 2014, with a review of administration arrangements to consider more modern alternatives to petty cash handling and other banking arrangements. There were no new proposals at this stage and any options would be subject to discussion.

Councillor Roberts asked if such a material change in branches of banks should have been communicated to the Council at an early stage and whether the tendering of banking services for schools could include provision of a viable network of branches in communities. The Head of Finance agreed that early notification of changes was good practice and said that the tender specification could take into consideration the point made. However, she pointed out the availability of a lesser number of bank branches in smaller towns and said that the response to previous bank tendering had attracted interest from only two banks, one of which would not be considered viable at present.

Councillor Roberts said that if there was an absence of banks in a particular area, those banks should make alternative arrangements for facilities in Post Offices. The Chair suggested that a report on this topic be put on the Forward Work Programme to keep the Committee informed of progress.

Councillor J.B. Attridge queried the 'Amber' level of assurance on the finalised report for Leisure Centre Income in light of issues raised at Cabinet. The Chief Executive pointed out that the project descriptions were brief and that much of the audit work was around controls on income rather than the amount of income being generated. The Internal Audit Manager explained that the report dealt with the receipt of income and control measures in leisure centres as opposed to a larger scale strategic view of income, and suggested that he share a copy of the report with the Committee.

Councillor Heesom asked if the audits which had been deferred from the 2012/13 related to significant issues and sought clarification on items such as Consultants and the North Wales Regional Waste Treatment Project (NWRWTP). The Internal Audit Manager advised that the two items were amongst those added to the Plan during the year and provided an explanation on each. Following a further question from Councillor Banks on the NWRWTP, the Chief Executive replied that pro-rata monies could not be claimed from partner Councils. The Chief Executive explained that the lead Authority of projects was responsible for undertaking internal audits and that all Councils would lead on some projects.

The Chair advised that the Head of Planning was due to attend the meeting in September 2013 for discussion on Section 106 Agreements.

The Internal Audit Manager said that he would amend the title of the Recommendation Tracking document to Recommendation Implementation to emphasise the responsibility on managers to implement recommendations. He advised that the new system, as previously agreed by the Committee, would be in place for the September meeting to allow for more detail on the document for areas of non-implementation and input of relevant Head of Service or Director.

Councillor Attridge suggested that the relevant Cabinet Member could also be involved to ensure that such issues were drawn to their attention. He pointed out that Section 106 Agreements were legal documents and felt that there was a joint responsibility between the Director of Environment and Head of Legal & Democratic Services. The Chief Executive spoke of the ownership of fundamental recommendations and agreed to discuss with Councillor Attridge, outside the meeting, the suggestion on how in practice Cabinet Members could be involved.

Mr. P. Williams welcomed the suggestion for Cabinet Member involvement and felt that the new system may help to reinforce the importance of taking seriously recommendations made by Internal Audit.

The Internal Audit Manager said that the report for the September meeting would present an overall picture of recommendations as opposed to just those that were due at the time.

On the summary of outstanding recommendations which had previously been shared with the Committee, the Head of Finance said that she had worked with officers on the 31 outstanding for the Finance section. She provided explanation, referring to involvement on the development of the Council's financial strategy and in particular the capital strategy, and gave assurance that she had been comfortable that risks were being adequately managed.

The Chair suggested that the Head of Finance be invited to respond to outstanding recommendations for her section in the same way as the Head of Planning. The Head of Finance agreed to this.

The Chair also commented on improvements in Human Resources in relation to staff appraisals.

Councillor Heesom suggested that the Internal Audit Progress Report be placed earlier on future agendas. The Democracy & Governance Manager explained that the order of the agenda was agreed with the Chair and Vice-Chair as part of the briefing meetings.

In response to a query by Councillor Banks, the Internal Audit Manager confirmed that anonymous allegations were followed up and investigated.

**RESOLVED:**

- (a) That the report be noted;
- (b) That a report on Council banking arrangements be included on the Committee's Forward Work Programme;
- (c) That the Internal Audit Manager provide the Committee with a copy of the final report on Leisure Centre Income;
- (d) That the Internal Audit Manager amend the Recommendation Tracking report to read Recommendation Implementation;
- (e) That the Chief Executive discuss with Councillor Attridge the suggestion for relevant Cabinet Members to be involved in responding to outstanding recommendations; and
- (f) That the Head of Finance be invited to respond to outstanding recommendations for her section at a future meeting.

**12. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

The Internal Audit Manager presented a report on the results of an initial assessment of compliance with the new Public Sector Internal Audit Standards (PSIAS).

**RESOLVED:**

That the report be noted.

**13. ACTION TRACKING**

The Internal Audit Manager presented a report on the actions resulting from points raised at previous Audit Committee meetings. The report contained a summary of actions carried out to date, the majority of which had been completed. An update on those remaining would be reported to a future meeting.

**RESOLVED:**

That the report be accepted.

**14. FORWARD WORK PROGRAMME**

The Internal Audit Manager introduced the report to consider the Forward Work Programme for the Audit Committee for the next year and sought comments from those present.

Mr. P. Williams suggested that additional meetings of the Committee may be required in future, in view of the volume of agenda items. He also suggested that the Committee may wish to appoint a second lay member. The Chair was in agreement with both suggestions. Councillor I.B. Roberts pointed out that the latter suggestion would need to be endorsed by County Council.

The Democracy & Governance Manager referred to the regular briefing meetings held with the Chair and Vice-Chair which offered an opportunity to consider whether any additional meetings were needed.

The Chief Executive offered to arrange for a report to be submitted to the next meeting of County Council if there was a consensus by the Committee for an additional lay member. As there was no proposal from the Committee to do so, the Head of Legal & Democratic Services suggested that this could be included for consideration on the Forward Work Programme if the need was identified.

The Democracy & Governance Manager said that following earlier discussion, the Head of Finance would prepare an interim report on Council banking arrangements for the next meeting in July 2013 and that the item on Section 106 Agreements would need to be included for September 2013.

**RESOLVED:**

That the Forward Work Programme be amended accordingly.

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

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 1.08 pm)

.....  
**Chair**



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**                 **17 JULY 2013**

**REPORT BY:**         **HEAD OF FINANCE**

**SUBJECT:**           **DRAFT STATEMENT OF ACCOUNTS 2012/13**

### **1.00 PURPOSE OF REPORT**

1.01 To present the Statement of Accounts 2012/13 (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 30<sup>th</sup> 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 30<sup>th</sup> September 2013. At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustment to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final Statement will be presented to Audit Committee on the morning of 25<sup>th</sup> September, 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 2012/13 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS).

- 3.04 The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the 2012/13 Code of Practice. The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.
- 3.05 The 2012/13 Code has prompted no material changes in the accounting policies of the Council. There have been no changes in the adopted estimation techniques and no material and unusual charges or credits are included within the accounts.

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

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

### **Annual Governance Statement**

- 3.07 The draft accounts also include the Annual Governance Statement which explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) (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 2012/13 (including the Annual Governance Statement), together with the underlying policies.
  - (b) the planned provision of drop in session over the summer period, subject to Members' consideration at Audit Committee.

## **5.00 FINANCIAL IMPLICATIONS**

- 5.01 As set out in the report

## **6.00 ANTI POVERTY IMPACT**

- 6.01 None.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None.

**8.00 EQUALITIES IMPACT**

8.01 None.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None

**10.00 CONSULTATION REQUIRED**

10.01 None

**11.00 CONSULTATION UNDERTAKEN**

11.01 None

**12.00 APPENDICES**

12.01 Statement of Accounts 2012/13

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

Various final accounts working papers

**Contact Officer:** Liz Thomas  
**Telephone:** 01352 702289  
**Email:** [liz.thomas@flintshire.gov.uk](mailto:liz.thomas@flintshire.gov.uk)

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# STATEMENT OF ACCOUNTS (DRAFT)

2012-13



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## EXPLANATORY FOREWORD

The Statement of Accounts 2012/13 provides details of the Council's financial position for the year ended 31st March 2013. The information presented on pages 8 to 75 is in accordance with the requirements of the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements included are :-

- The core financial statements comprising of –
  - **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Headline figures – Usable reserves £59,856k; unusable reserves £281,378k.

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Headline figure – Deficit on the provision of services £18,904k which is carried into the movement in reserves statement.

- **Balance Sheet** - the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Headline figure – Net worth of the Council £341,234k representing a decrease from the balance sheet total of £417,358k as at 31st March 2012.



## EXPLANATORY FOREWORD

- **Cash Flow Statement** - the Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.
- The supplementary financial statements comprising of –
  - **The Housing Revenue Account Income and Expenditure Statement** – The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Headline figure – Increase in HRA balance of £41k to £1,931k

The pension fund accounts are presented in accordance with required guidance, on pages 76 to 102.

The Council has a Medium Term Financial Plan (MTFP) which serves to forecast funding levels and resource requirements over the medium term, identify any funding gap, and enable specific actions to be identified to balance the budget and manage resources. The MTFP gathers information from activity across all Council Fund services (but not the Housing Revenue Account), taking account of all costs and efficiency savings anticipated over the medium term for both the revenue budget and the capital programme.

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

### REVENUE BUDGET, OUTTURN AND OVERALL FINANCIAL POSITION

The Council Fund budget for 2012/13 was set at £241,203k and approved by Council on 1st March 2012. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn due to be reported on 16<sup>th</sup> July 2013.

The 2012/13 budget enabled the Council to deliver its ongoing change programme of service modernisation and improvement, and also provide significant investment in priority areas, which was achieved against a backdrop of reduced Welsh Government funding support and the continuing effects of the economic downturn.

Total net expenditure for 2012/13 amounted to £238,449k against the budget of £242,678k.

## EXPLANATORY FOREWORD

	2012/13 Budget	2012/13 Actual	Variance
	£000	£000	£000
<b>Corporate Services :</b>			
Chief Executive	2,346	2,257	(89)
Finance	4,351	4,544	193
Legal and Democratic Services	3,341	3,157	(184)
Human Resources and Organisational Development	2,628	2,539	(89)
ICT and Customer Services	5,413	5,295	(118)
	<u>18,079</u>	<u>17,792</u>	<u>(287)</u>
Community Services	58,614	55,125	(3,489)
Environment	31,811	31,771	(40)
Lifelong Learning	110,993	111,026	33
Net expenditure on services	<u>219,497</u>	<u>215,714</u>	<u>(3,783)</u>
Central loans and investment account	14,200	13,661	(539)
Central and Corporate Finance	10,765	10,796	31
Total net expenditure	<u>244,462</u>	<u>240,171</u>	<u>(4,291)</u>
Contribution from reserves	(1,784)	(1,581)	203
<b>Budget requirement</b>	<u>242,678</u>	<u>238,590</u>	<u>(4,088)</u>
<b>Financed by</b>			
Council tax (net of community council precepts expenditure)	56,750	56,891	(141)
General grants	145,366	145,366	0
Non-domestic rates redistribution	40,562	40,562	0
<b>Total resources</b>	<u>242,678</u>	<u>242,819</u>	<u>(141)</u>
Net variance - (underspend)	<u>0</u>	<u>(4,229)</u>	<u>(4,229)</u>

The net underspend of £4,088k, increased to £4,229k by way of additional Council tax income (£141k). The £4,229k has served with other agreed funding transfers of £786k to produce a year-end Council fund revenue reserves total of £49,447k, which includes the unearmarked Council fund balance of £9,270k.

	Net			
	2013	Underspend	Other	2012
	£000	£000	£000	£000
Council fund (unearmarked) balance	9,270	4,088	(1,286)	6,468
Earmarked council fund reserves	37,080	0	1,774	35,306
Locally managed schools	3,097	0	439	2,658
<b>Total council fund revenue reserves</b>	<u>49,447</u>	<u>4,088</u>	<u>927</u>	<u>44,432</u>

## EXPLANATORY FOREWORD

### MATERIAL ASSETS ACQUIRED AND LIABILITIES INCURRED

Significant capital programme expenditure (as part of the overall capital expenditure as detailed on page 5) was incurred during the year in progressing the amalgamation of Custom House Junior and Dee Road Infant schools, Connah's Quay (£2,387k); works are now substantially complete except for retention and some external works which will complete in 2013/14. A substantial part of the overall funding of the scheme has been provided by way of Welsh Government 21<sup>st</sup> Century Schools Grant.

Redevelopment works at the Jade Jones Pavilion, Flint have resulted in the inclusion of additional finance leased assets on the Council's balance sheet to the value of £2,530k. This investment has provided new facilities including ten pin and crown green bowling, a new soft play area and refurbished reception, cafeteria and bar facilities.

### SOURCES OF CAPITAL FINANCING AND CAPITAL PROGRAMME BUDGET

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2012/13 Capital Programme was approved in the sum of £33,223k (Housing Revenue Account £9,938k, and Council Fund £23,825k); this figure moved during the course of the year to a final programme total of £42,330k, (Housing Revenue Account £11,632k and Council Fund £30,698k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn due to be reported on 16th July 2013.

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

	<b>2013</b>
	<b>£000</b>
Supported borrowing *	5,141
Other borrowing (including Salix loans)	3,778
Capital receipts	6,051
Capital grants and contributions	17,297
Capital reserves/capital expenditure funded from revenue account	4,928
<b>Core financing</b>	<b>37,195</b>
Finance leases	2,626
<b>Total financing</b>	<b>39,821</b>

5.

The core capital financing total of £37,195k was supplemented by finance lease arrangements which mainly were in respect of refurbishment works at Jade Jones Pavilion, Flint.

### CAPITAL OUTTURN

The financing total of £39,821k supported capital expenditure (including REFCUS of £7,890k) across those programme areas detailed in the table on page 5; the information included in this table is presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) form, for its published Local Government Finance Statistics.

## EXPLANATORY FOREWORD

	2013
	£000
Education	6,621
Social services	42
Transport	7,550
Housing	15,888
Libraries, culture and heritage	180
Agriculture and fisheries *	350
Sport and recreation	3,117
Other environmental services	6,073
<b>Outturn</b>	<b>39,821</b>

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

### BORROWING FACILITIES

No new long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2012/13 - 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.

### PENSION LIABILITY

Disclosures are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability. The liability recorded in the balance sheet (£305,518k) is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the 2012/13 liability increase does impact on the net worth of the Authority as reflected in the balance sheet total of £341,234k (£417,358k as at 31st March 2012).

### IMPACT OF THE CURRENT ECONOMIC CLIMATE

Approximately 80% of the funding for Council services comes from Welsh Government through Revenue Support Grant. In 2012/13, the funding reduced by 0.2% which came on top of a 1.7% cut in 2011/12. When the effect of inflation and the cost of additional demands for services are taken into account, the real impact on the revenue budget was much greater.

Faced with this financial challenge and the continuing effects of the economic downturn, the budget strategy for 2012/13 was to reduce internal operating costs at the same time as reviewing opportunities to increase grants and contributions from external bodies and by making an inflationary uplift to existing fees and charges. Careful budget planning, and the identification of £4,700k of new efficiencies, enabled the setting of a budget which: provided for investment in key services (specifically in school budgets and social care); allowed for some unsupported (prudential) borrowing to assist capital programme spending; took account of affordability issues in setting the Council Tax and fees and charges for service use; minimised the effects on customers and public services by not proposing any significant service cuts or job losses.

## **EXPLANATORY FOREWORD**

### **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 2012/13 (the third year of the new cycle, commencing 1st April 2010), approximately 25% of non-dwelling assets were revalued. The overall impact of the 2012/13 revaluation process was a net decrease in the value of non-current property assets - property, plant and equipment, investment properties and the agricultural estate - recorded in the balance sheet (from £810,104k to £787,116k).

### **CHANGE IN ACCOUNTING POLICIES**

There have been no material changes to accounting policies during 2012/13.

### **FURTHER INFORMATION**

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, this is the 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 :**

**Carolyn Thomas  
Chair to the County Council**

**Date :**

### 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 2013, 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 2013 and the amount and disposition at that date of its assets and liabilities.

**Signed :**

**Kerry Feather CPFA  
Head of Finance**

**Date :**

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2013

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (those that can be applied to fund expenditure or reduce local taxation) and other (Unusable) Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

	Note	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
<b>At 31st March 2012</b>		6,468	37,964	1,890	6,074	3,185	55,581	361,777	417,358
Surplus/(deficit) on the provision of services		(19,234)	0	330	0	0	(18,904)	0	(18,904)
Other comprehensive income and expenditure		0	0	0	0	0	0	(57,220)	(57,220)
<b>Total comprehensive income and expenditure</b>		(19,234)	0	330	0	0	(18,904)	(57,220)	(76,124)
Adjustments between accounting and funding basis under regulations	7	24,249	0	(289)	(1,597)	816	23,179	(23,179)	0
<b>Net increase/(decrease) before transfers to earmarked reserves</b>		5,015	0	41	(1,597)	816	4,275	(80,399)	(76,124)
Transfers to/(from) earmarked reserves	34	(2,213)	2,213	0	0	0	0	0	0
<b>Increase/(decrease) in year</b>		2,802	2,213	41	(1,597)	816	4,275	(80,399)	(76,124)
<b>At 31st March 2013</b>		9,270	40,177	1,931	4,477	4,001	59,856	281,378	341,234

## MOVEMENT IN RESERVES STATEMENT

	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
Note								
<b>At 31st March 2011</b>	5,962	32,839	1,614	6,227	9,144	55,786	462,231	518,017
Surplus/(deficit) on the provision of services	(47,011)	0	(20,349)	0	0	(67,360)	0	(67,360)
Other comprehensive income and expenditure	0	0	0	0	0	0	(36,552)	(36,552)
<b>Total comprehensive income and expenditure</b>	<b>(47,011)</b>	<b>0</b>	<b>(20,349)</b>	<b>0</b>	<b>0</b>	<b>(67,360)</b>	<b>(36,552)</b>	<b>(103,912)</b>
Adjustments between accounting and funding basis under regulations	7 49,846	(457)	20,625	(153)	(5,959)	63,902	(63,902)	0
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>2,835</b>	<b>(457)</b>	<b>276</b>	<b>(153)</b>	<b>(5,959)</b>	<b>(3,458)</b>	<b>(100,454)</b>	<b>(103,912)</b>
Transfers to/(from) earmarked reserves	34 (2,329)	5,582	0	0	0	3,253	0	3,253
<b>Increase/(decrease) in year</b>	<b>506</b>	<b>5,125</b>	<b>276</b>	<b>(153)</b>	<b>(5,959)</b>	<b>(205)</b>	<b>(100,454)</b>	<b>(100,659)</b>
<b>At 31st March 2012</b>	<b>6,468</b>	<b>37,964</b>	<b>1,890</b>	<b>6,074</b>	<b>3,185</b>	<b>55,581</b>	<b>361,777</b>	<b>417,358</b>



**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
for the year ended 31st March 2013

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise local taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		2013		2012			
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>							
Adult social care		49,661	(8,876)	40,785	53,195	10,570	42,625
Central services to the public		2,231	(1,207)	1,024	2,287	1,011	1,276
Education and children's services		166,563	(27,174)	139,389	180,147	23,883	156,264
Cultural and related services		30,437	(12,160)	18,277	23,791	11,873	11,918
Environmental and regulatory services		25,589	(7,213)	18,376	22,258	4,065	18,193
Planning services		12,190	(5,181)	7,009	10,179	6,225	3,954
Highways and transport services		22,555	(6,591)	15,964	26,596	7,526	19,070
Housing services :							
Housing - Council fund		64,372	(56,544)	7,828	68,082	60,822	7,260
Housing revenue account (HRA)		24,505	(26,440)	(1,935)	43,625	25,212	18,413
Corporate and democratic core		4,297	0	4,297	2,534	0	2,534
Non distributed costs		2,170	0	2,170	3,515	0	3,515
<b>Cost of services</b>		<b>404,570</b>	<b>(151,386)</b>	<b>253,184</b>	<b>436,209</b>	<b>151,187</b>	<b>285,022</b>
Other Operating Expenditure	3			21,117			21,906
Financing and Investment Income and	4			20,842			14,416
Taxation and Non-Specific Grant Income	5			(276,239)			(274,333)
<b>(Surplus)/deficit on the provision of services</b>				<b>18,904</b>			<b>47,011</b>
(Surplus)/deficit arising on revaluation of non-current assets				(5,414)			16,627
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				1			(114)
Actuarial (gains) or losses on pension assets and liabilities				62,633			37,181
Other comprehensive income and expenditure				0			(46)
<b>Total comprehensive income and expenditure</b>				<b>76,124</b>			<b>100,659</b>

**BALANCE SHEET**  
as at 31st March 2013

		2013		2012	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>17,18,20</b>				
Council dwellings		281,040		276,284	
Other land and buildings		289,971		303,972	
Vehicles, plant, furniture and equipment		18,727		12,458	
Surplus assets		5,411		6,952	
Infrastructure assets		154,422		153,619	
Community assets		4,720		9,678	
Assets under construction		1,031		5,691	
<b>Total Property, Plant &amp; Equipment</b>			755,322		768,654
Investment properties	<b>17,18,20</b>		21,616		28,172
Agricultural estate	<b>17,18,20</b>		10,178		13,278
Intangible assets	<b>16</b>		697		732
Long term investments	<b>21,36</b>		739		2,753
Long term debtors	<b>22</b>		1,592		1,066
<b>NON-CURRENT ASSETS TOTAL</b>			790,144		814,655
<b>CURRENT ASSETS</b>					
Inventories	<b>23</b>	1,025		1,269	
Short term debtors (net of impairment provision)	<b>24</b>	40,158		29,935	
Short term investments	<b>25</b>	19,801		13,599	
Cash and cash equivalents	<b>26</b>	34,348		38,937	
Assets held for sale	<b>27</b>	6,319		2,752	
<b>CURRENT ASSETS TOTAL</b>			101,651		86,492
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 month	<b>28</b>	(8,827)		(10,487)	
Short term creditors *	<b>29</b>	(33,213)		(28,975)	
Provision for accumulated absences	<b>32</b>	(2,466)		(3,738)	
Deferred liabilities	<b>12</b>	(434)		(414)	
Grants receipts in advance *	<b>30</b>	(4,878)		(4,095)	
<b>CURRENT LIABILITIES TOTAL</b>			(49,818)		(47,709)
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	<b>29</b>	(2,480)		(1,905)	
Long term borrowing	<b>31</b>	(172,356)		(172,410)	
Deferred liabilities	<b>33</b>	(7,708)		(6,663)	
Provisions	<b>32</b>	(10,616)		(13,654)	
Other long term liabilities	<b>4</b>	(305,518)		(240,834)	
Grants receipts in advance *	<b>30</b>	(2,065)		(614)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			(500,743)		(436,080)
<b>NET ASSETS</b>			341,234		417,358

\* prior period adjusted figures

## BALANCE SHEET

		2013		2012	
	Note	£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital receipts reserve	34	4,477		6,074	
Capital grants unapplied	34	4,001		3,185	
Council fund	34	9,270		6,468	
Earmarked reserves	34	40,177		37,964	
Housing revenue account	34	1,931		1,890	
<b>USABLE RESERVES TOTAL</b>			59,856		55,581
<b>UNUSABLE RESERVES</b>					
Revaluation reserve	35	53,977		58,060	
Available-for-sale financial instruments reserve	35	366		368	
Capital adjustment account	35	552,337		570,607	
Financial instruments adjustment account	35	(8,381)		(9,051)	
Pensions reserve	35	(305,518)		(240,834)	
Equal pay account	35	(8,939)		(13,644)	
Deferred capital receipts	35	2		9	
Accumulated absences account	35	(2,466)		(3,738)	
<b>UNUSABLE RESERVES TOTAL</b>			281,378		361,777
<b>TOTAL RESERVES</b>			341,234		417,358

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

- Usable Reserves - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable Reserves - those reserves that the Authority is unable to use to provide services, including reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**CASH FLOW STATEMENT**  
for the year ended 31st March 2013

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	2013		2012	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services *		(18,904)		(47,011)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		51,468		79,537	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(23,016)		(20,554)	
Net cash outflows from operating activities	43	(23,016)	9,548	(20,554)	11,972
Net cash flows from investing activities	44	(13,099)		(13,037)	
Net cash flows from financing activities	45	(2,119)		(193)	
<b>Net increase or decrease in cash and cash equivalents</b>			<u>(15,218)</u> (5,670)	<u>(13,230)</u> (1,258)	
Cash and cash equivalents at the beginning of the reporting period	26		38,937		39,982
Other			1,081		213
<b>Cash and cash equivalents at the end of the reporting period</b>	26		<b>34,348</b>		<b>38,937</b>

\* 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 31<sup>st</sup> March 2013

## 1. STATEMENT OF ACCOUNTING POLICIES

### General Matters

The accounts have been prepared in accordance with the requirements of the 2012/13 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 have been no changes in the adopted estimation techniques, and no material and unusual charges or credits are included within the accounts.

### Accounting 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 2013 or later periods, but the Council has not early adopted them:

- IAS 1 – Presentation of Financial Statements. Changes to IAS 1 will require new groupings of the sections under Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement into reclassifiable and non-re-classifiable groupings. This is a presentational issue only and will not impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.
- IAS 12 – Income Taxes: Deferred Taxation. As the Council is not liable for Corporation Tax the standard will not apply to the Council's accounts.
- IAS 19 - Employee Benefits. Changes to the classification, recognition, measurement and disclosure requirements introduced by the June 2011 amendments to IAS 19 for post-employment benefits. The Council will apply the revised accounting standard from 1st April 2013 which will require 2012/13 figures to be restated in the 2013/14 accounts for comparative purposes. It is not expected to have a material (bottom line) impact on the Council's financial statements as the real costs of retirement benefits recognised in the Comprehensive Income and Expenditure Statement are reversed out in the Movement in Reserves Statement and replaced with cash payable in year, the statutory charge required to be made against Council Tax.
- 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 Judgements and Assumptions Made

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Retirement Benefit Obligations – The Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Authority’s retirement benefit obligation.
- Provisions – The Authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the authority also exercises judgement; they are measured at the authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the Authority’s provisions and details of its contingent liabilities are set out in notes 32 and 39 respectively;
- Impairment of Financial Assets – The Authority provides for the impairment of its receivables based on the age, type and recoverability of each debt.
- Property, Plant and Equipment – Assets are depreciated over their useful life and reflect such matters as the level of repairs and maintenance that will be incurred in relation to individual types of asset, cost of replacement and assuming prudent maintenance, an estimate of the unexpired useful life of the asset.
- Asset Valuations – The authority values its non current assets on the basis of Fair Value, with the exception of the Housing Stock which is valued to ‘Existing Use Value – Social Housing’. The Authority exercises judgement on whether there is market evidence to value the asset on the basis of Fair Value and where there is no such evidence, the authority uses a depreciated replacement cost (DRC) approach.
- Asset Componentisation – The Authority has based the componentisation of assets using categories of typical buildings that the vast majority of its asset base would fall under. The Authority’s valuers have considered the current gross replacement costs and main components of these typical buildings on the basis of a Modern Equivalent Asset, less allowances for all relevant forms of obsolescence and optimisation. The costs for these have been obtained from the nationally recognised Building Cost Information Service and applied in accordance with the Royal Institution of Chartered Surveyors approved methodology. The Authority has also exercised judgement in classifying its assets under each typical building category and whether assets fall outside these categories and require individual attention for asset componentisation purposes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Future Levels of Government Funding and Levels of Reserves – The future levels of funding for local authorities has a high degree of uncertainty. The Authority has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Authority's track record in financial management. The Authority's budget strategy for 2013/14 was approved in March 2013 and can be found on the Authority's website.

### 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 31<sup>st</sup> 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 IAS 23 which allows borrowing costs in respect of qualifying assets to be expensed rather than capitalised. Therefore, all borrowing costs are recognised as an expense as they are incurred.

### Capital Receipts

Capital receipts arise from the disposal of property assets and the repayment of advances, and are accounted for on an accruals basis; amounts not exceeding £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.

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 de minimus threshold of 0.5% of the value of the asset base. Land is identified as a separate component in its own right.

### Minimum Revenue Provision (Debt Redemption)

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council to make prudent provision for the repayment of its debt. The Council sets amounts from revenue aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP).

Under capital accounting arrangements, the Council's services are charged depreciation to reflect the consumption of capital assets used. The depreciation charge is treated as the Council's revenue provision and any variation from the statutory minimum is transferred between the capital adjustment account and the income and expenditure account. The MRP is calculated in accordance with the 2012/13 MRP Policy Statement agreed by Council in March 2012 and Welsh Government Guidance on MRP.

The Council's Policy is to:

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

A breakdown of MRP charged for the year is disclosed in Note 6 on page 36.

In addition, the Authority may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the authority.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 31<sup>st</sup> March 2013.

### 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 2012/13 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

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

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

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

### Employee Benefits

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

### Financial Assets

Financial assets are classified into two types:

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

### *Loans and Receivables:*

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *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.

### **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 or non-operational.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### ***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.

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.

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

#### ***County Museum –***

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

The 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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 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:-

- |                                 |                           |
|---------------------------------|---------------------------|
| • Halkyn                        | Weighted average          |
| • Alltami (Grounds Maintenance) | Weighted average          |
| • Alltami (Vehicle Spares)      | Weighted average          |
| • Alltami (Fuel)                | FIFO (first in first out) |
| • 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 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. **Page 43**

## NOTES TO THE CORE FINANCIAL STATEMENTS

The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy.

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

### *Operating Leases*

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

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

### **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 2012/13 Service Reporting Code of Practice (SeRCOP). The costs of the corporate and democratic core and any non distributed costs are allocated to separate objective heads and are not apportioned to any other service.

### **Pensions**

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

#### *Teachers:*

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

#### *Other Employees:*

This is a funded defined benefit final salary Local Government Pension Scheme (LGPS). All actuarial gains and losses are recognised in Other Comprehensive Income and Expenditure.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012/13 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 2012/13 (the third year of the current cycle, which commenced 1st April 2010), approximately 25% of non-dwelling assets were revalued. Material changes to valuations are adjusted in the interim period, as they occur. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. The revaluation reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Different classes of asset included on the group balance sheet are measured on different bases (in common with the balance sheet).

### Provisions

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

### Reserves

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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

### 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:

2012/13		Community	Environment	Lifelong	Corporate	Central and	HRA	Total
		Services		Learning	Services	Corporate		
		£000	£000	£000	£000	Finance	£000	£000
<b>Income</b>	Fees, charges & other service income	(7,005)	(19,361)	(17,276)	(51,253)	(4,917)	(31,622)	(131,434)
	Government grants	(7,773)	(7,133)	(22,321)	(358)	(162)	6,166	(31,581)
	<b>Total</b>	<b>(14,778)</b>	<b>(26,494)</b>	<b>(39,597)</b>	<b>(51,611)</b>	<b>(5,079)</b>	<b>(25,456)</b>	<b>(163,015)</b>
<b>Expenditure</b>	Employee expenses	27,968	24,095	106,676	13,053	1,946	5,974	179,712
	Other service expenses	41,935	34,171	43,947	56,349	25,868	19,408	221,678
	<b>Total</b>	<b>69,903</b>	<b>58,266</b>	<b>150,623</b>	<b>69,402</b>	<b>27,814</b>	<b>25,382</b>	<b>401,390</b>
<b>Final Outturn</b>		<b>55,125</b>	<b>31,772</b>	<b>111,026</b>	<b>17,791</b>	<b>22,735</b>	<b>(74)</b>	<b>238,375</b>

2011/12		Community	Environment	Lifelong	Corporate	Central and	HRA	Total
		Services		Learning	Services	Corporate		
		£000	£000	£000	£000	Finance	£000	£000
<b>Income</b>	Fees, charges & other service income	(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)
	<b>Total</b>	<b>(17,675)</b>	<b>(44,736)</b>	<b>(34,689)</b>	<b>(50,549)</b>	<b>(18,783)</b>	<b>(49,484)</b>	<b>(215,916)</b>
<b>Expenditure</b>	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
	<b>Total</b>	<b>72,978</b>	<b>76,417</b>	<b>146,710</b>	<b>68,470</b>	<b>40,394</b>	<b>49,114</b>	<b>454,083</b>
<b>Final Outturn</b>		<b>55,303</b>	<b>31,681</b>	<b>112,021</b>	<b>17,921</b>	<b>21,611</b>	<b>(370)</b>	<b>238,167</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2012/13	2011/12
	£000	£000
Final outturn	238,375	238,167
Add amounts not reported to management	32,425	84,071
Remove amounts reported to management not included in comprehensive income and expenditure statement	(17,615)	(37,216)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>253,185</b>	<b>285,022</b>

### Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis (Single Entity) 2012/13	Service Analysis £000	Not Reported to Management £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(131,434)	0	0	(131,434)	0	(131,434)
Interest and investment income	0	0	0	0	(26,269)	(26,269)
Income from council tax	0	0	0	0	(72,197)	(72,197)
Distribution from non-domestic rate pool	0	0	0	0	(40,562)	(40,562)
Government grants and contributions	(31,581)	0	0	(31,581)	(163,480)	(195,061)
Gain or loss on disposal of fixed assets	0	0	0	0	(1,170)	(1,170)
<b>Total Income</b>	<b>(163,015)</b>	<b>0</b>	<b>0</b>	<b>(163,015)</b>	<b>(303,678)</b>	<b>(466,693)</b>
Employee expenses	179,712		0	179,712	0	179,712
Other service expenses	221,677	(15,993)	1,291	206,975	0	206,975
Support Service recharges	0	18,907	(18,907)	0	0	0
Depreciation, amortisation and impairment	0	29,511	0	29,511	0	29,511
Interest payments	0	0	0	0	47,111	47,111
Precepts & levies	0	0	0	0	22,288	22,288
<b>Total operating expenses</b>	<b>401,389</b>	<b>32,425</b>	<b>(17,616)</b>	<b>416,198</b>	<b>69,399</b>	<b>485,597</b>
<b>Surplus or deficit on the provision of services</b>	<b>238,374</b>	<b>32,425</b>	<b>(17,616)</b>	<b>253,183</b>	<b>(234,279)</b>	<b>18,904</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis (Single Entity) 2011/12	Service Analysis £000	Not Reported to Management £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(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)
<b>Total Income</b>	<b>(215,916)</b>	<b>0</b>	<b>0</b>	<b>(215,916)</b>	<b>(305,892)</b>	<b>(521,808)</b>
Employee expenses	180,266	3,545	0	183,811	0	183,811
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	37,812	0	37,812	0	37,812
Interest payments	0	0	0	0	45,933	45,933
Precepts & levies	0	0	0	0	21,948	21,948
<b>Total operating expenses</b>	<b>454,083</b>	<b>84,071</b>	<b>(37,216)</b>	<b>500,938</b>	<b>67,881</b>	<b>568,819</b>
<b>Surplus or deficit on the provision of services</b>	<b>238,167</b>	<b>84,071</b>	<b>(37,216)</b>	<b>285,022</b>	<b>(238,011)</b>	<b>47,011</b>

### 3. OTHER OPERATING EXPENDITURE

	2013 £000	2012 £000
Precept - North Wales Police Authority	13,059	12,705
Other preceptors - community councils	2,247	2,191
Levy - North Wales Fire and Rescue Authority	6,982	7,052
Net gain on the disposal of non-current assets	(1,171)	(42)
	<u>21,117</u>	<u>21,906</u>

### 4. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,842k (£14,416k in 2011/12), incorporates the investment losses and investment expenditure detailed below.

	2013 £000	2012 £000
Interest payable and similar charges	10,073	10,231
Investment losses and investment expenditure (see page 29)	7,267	4,824
Pensions interest cost and expected return on pensions assets (see page 30)	8,919	7,706
Interest and investment income	(5,417)	(8,345)
	<u>20,842</u>	<u>14,416</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Investment Losses and Investment Expenditure

The following entries have been recognised:

	2013		2012
	£000	£000	£000
Impairment on investment property		6,099	748
Impairment adjustments - Landsbanki	66		(202)
Less interest receivable - Landsbanki	<u>(101)</u>		<u>(159)</u>
		<u>(35)</u>	<u>(361)</u>
Investment (properties) expenditure		6,064	387
		<u>1,203</u>	<u>4,437</u>
		<u>7,267</u>	<u>4,824</u>

Total impairments, net adjustment of £35k, relate to investments in the Icelandic bank Landsbanki, which collapsed in October 2008. The Council had £3,700k deposited with Landsbanki with varying maturity dates and interest rates illustrated in the following table :-

Date Invested	Maturity Date	Amount Originally Invested £000	Interest Rate %	Amount Returned To Date £000	Outstanding Investment £000
22/07/08	17/10/08	1,200	5.82	571	629
01/09/08	14/11/08	1,500	5.70	714	786
08/09/08	18/11/09	1,000	5.67	475	525
		<u>3,700</u>		<u>1,760</u>	<u>1,940</u>

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 distributions to the Council as a priority creditor, in February, May and October 2012 totalling £1,760k.

The Winding Up Board published details of Landsbanki's (LBI's) financial position as at 31<sup>st</sup> December 2012 on its website. This showed that LBI's assets, including partial repayments already made in respect of priority claims were greater than the sum of the priority claims. It is therefore still considered likely that UK local authorities will recover 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 2012/13 (£66k) recognised in the comprehensive income and expenditure statement and shown in the following table 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Cumulative Impairment 1/4/2012 £000	In Year Impairment 2012/13 £000	Carrying Amount £000
22/07/08	17/10/08	1,200	5.82	(108)	(21)	500
01/09/08	14/11/08	1,500	5.70	(134)	(27)	625
08/09/08	18/11/09	1,000	5.67	(90)	(18)	417
		<u>3,700</u>		<u>(332)</u>	<u>(66)</u>	<u>1,542</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:-

2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
269	254	240	227	214	202	136	1,542

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

The future pattern of distributions by the Landsbanki Winding Up Board is not known, but based on the above information, the Local Authority Accounting Panel recommends that the estimate of the recoverable amount is based on a total repayment of 100% and that future payment schedule should be estimated as follows:-

Date	%
December 2013	7.50
December 2014	7.50
December 2015	7.50
December 2016	7.50
December 2017	7.50
December 2018	7.50
December 2019	5.35
	<u>50.35</u>

### Pensions - Teachers:

In 2012/13, the Council paid £7,294k to the Department for Education in respect of teachers' pension costs (£7,271k in 2011/12), which represents 14.1% (average) of teachers' pensionable pay (14.19% in 2011/12).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2012/13 these amounted to £513k (£487k in 2011/12), representing 1.00% of pensionable pay (0.95% in 2011/12).

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.

### Pensions - Other Employees:

The Council received £791k from the fund for benefits administration and other central support services (£803k in 2011/12).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 76 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 :-

	2013		2012	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Net Cost of Services -</b>				
Current service cost	14,035		12,845	
Past service cost/(gain)	78		175	
Curtailments/settlements	221		473	
	<u>          </u>		<u>          </u>	
<b>Net Operating Expenditure -</b>		14,334		13,493
Interest cost	29,771		30,878	
Expected return on scheme assets	<u>(20,852)</u>		<u>(23,172)</u>	
		<u>8,919</u>		<u>7,706</u>
<b>Net charge to comprehensive income and expenditure</b>		<u><u>23,253</u></u>		<u><u>21,199</u></u>
 <b>Movement in Reserves Statement</b>				
Reversal of net charges made for retirement benefits in		(23,253)		(21,199)
 <b>Actual amount charged against the Council fund</b>				
Employers' contributions payable to scheme		<u>21,202</u>		<u>20,849</u>
<b>Net debit/(credit) to the movement in reserves statement</b>		<u><u>(2,051)</u></u>		<u><u>(350)</u></u>

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, there are actuarial losses of £62,633k (losses of £37,181k in 2011/12). The cumulative amount of actuarial losses is £248,225k (net).

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

Reconciliation of present value of the scheme liabilities :-

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013	2012
	£000	£000
1st April	611,007	564,531
Current service cost	14,035	12,845
Interest cost	29,771	30,878
Contributions by scheme participants	4,913	4,866
Actuarial gains and losses	76,603	20,425
Benefits paid	(23,205)	(23,186)
Past service costs	78	175
Past service gains	0	0
Curtailments/settlements	221	473
31st March	713,423	611,007

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

	2013	2012
	£000	£000
1st April	370,173	361,228
Expected rate of return	20,852	23,172
Actuarial gains and losses	13,970	(16,756)
Employer contributions	19,572	19,258
Contributions by scheme participants	4,913	4,866
Benefits paid	(21,575)	(21,595)
31st March	407,905	370,173

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 £34,822k (£6,416k in 2011/12).

### Scheme History -

	2013	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000	Restated £000
Present value of liabilities	(713,423)	(611,007)	(564,531)	(589,060)	(429,545)	(501,354)
Fair value of assets	407,905	370,173	361,228	340,130	248,841	314,562
Surplus/deficit in the scheme	(305,518)	(240,834)	(203,303)	(248,930)	(180,704)	(186,792)

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £305,518k is included as part of the unusable reserves total on the Balance Sheet (within the overall reserves balance of £417,358k) on page 11.

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 31<sup>st</sup> March 2014 is £19.7m.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 -

	2013	2012
<b>Long term expected return on assets in the scheme</b>		
Equity investments	7.0%	7.0%
Bonds	3.9%	4.1%
Other	7.0%	7.0%
 <b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners -		
Men	22.2 yrs	21.8 yrs
Women	24.8 yrs	24.4 yrs
Longevity at 65 for future pensioners -		
Men	24.1 yrs	23.2 yrs
Women	26.8 yrs	26 yrs
 Rate of inflation (Consumer Prices Index)	2.4%	2.5%
Rate of increase in salaries	3.9%	4.0%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	4.2%	4.9%
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:-

	2013	2012
	%	%
Equity investments	43.6	41
Other bonds	14.8	16
Property	7.3	10
Cash/liquidity	1.5	3
Other assets	32.8	30
	100	100

### History of Experience Gains and Losses -

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2013 :-

	2013	2012	2011	2010	2009	2008
	%	%	%	%	%	Restated %
Differences between the expected and actual return on	3.4	(4.53)	(1.74)	19.67	(38.72)	(9.70)
Experience gains and losses on liabilities	0.00	0.00	3.31	0.00	0.00	1.68





## NOTES TO THE CORE FINANCIAL STATEMENTS

The Flintshire County Council precept for a band 'D' property in 2012/13 was £932.39 (£905.23 in 2011/12). Council tax bills were based on the following multipliers for bands A\* to I :-

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

Other precepts added to 2012/13 Council Tax demand notices included the North Wales Police Authority precept in the sum of £13,059k (£12,705k in 2011/12) and 34 Town and Community Councils who collectively raised precepts totalling £2,247k (£2,191k in 2011/12)

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

	2013 £000	2012 £000
Council tax collected	72,531	70,225
Add - Decrease in bad debts provision	33	27
Less - Amounts written off to provision	<u>(367)</u>	<u>(290)</u>
	72,197	69,962
Less - Payable to North Wales Police Authority	<u>(13,059)</u>	<u>(12,705)</u>
	<u>59,138</u>	<u>57,257</u>

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2012/13 was 45.2p for all properties (42.8p in 2011/12). 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. 2012/13 NDR income paid into the pool was £58,603k after relief and provisions (£57,981k in 2011/12), based on a year end rateable value total of £153,000k (£153,115k in 2011/12).

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

	2013 £000	2012 £000
Non-domestic rates collected	59,110	58,378
Less - Paid into NDR pool	(58,603)	(57,981)
Less - Cost of collection	(374)	(438)
Less - Increase in bad debts provision	<u>(132)</u>	<u>41</u>
	0	0
Receipts from pool	<u>40,562</u>	<u>42,236</u>
	<u>40,562</u>	<u>42,236</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Non-Ringfenced Government Grants

	2013	2012
	£000	£000
<b>Revenue Grants - General</b>		
Revenue support grant	143,891	149,753
Improvement agreement grant	1,475	1,476
	<u>145,366</u>	<u>151,229</u>

	2013	2012
	£000	£000
<b>Capital Grants and Contributions</b>		
Capital grants	12,914	12,739
Major repairs allowance	5,200	5,200
	<u>18,114</u>	<u>17,939</u>

### 6. 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 2012/13 were as follows :-

	2013	2012
	£000	£000
Total minimum revenue provision	7,578	6,403
Recharge to housing revenue account	(558)	(552)
	<u>7,020</u>	<u>5,851</u>

### 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The credit adjustment for the year is £23,179k (£63,902k debit in 2011/12).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves					Unusable Reserves
	Council Fund Balance £000	Council Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>2012/13</b>						
<b>Adjustments involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	27,962	0	5,232	0	0	(33,194)
Revaluation losses on Property, Plant and Equipment	15,941	0	0	0	0	(15,941)
Movements in the market value of Investment Properties	4,543	0	0	0	0	(4,543)
Amortisation of intangible assets	50	0	0	0	0	(50)
Capital grants and contributions applied	0	0	0	0	(17,298)	17,298
Revenue expenditure funded from capital under statute	7,367	0	0	0	0	(7,367)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,287	0	785	0	0	(3,072)
<i>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(7,019)	0	(649)	0	0	7,668
Capital expenditure charged against the Council Fund and HRA balances	(236)	0	(4,692)	0	0	4,928
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	(18,114)	0	0	0	18,114	0
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(4,112)	0	(798)	4,910	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		0	0	(6,507)	0	6,507
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Transfer from deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(494)	0	(174)	0		668
<b>Adjustments involving the Pensions Reserve:</b>						
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	2,051	0	0	0	0	(2,051)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0
<b>Adjustment involving the Equal Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(4,705)	0	0	0	0	4,705
<b>Adjustment involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,272)	0	0	0	0	1,272
<b>Adjustments involving the Deferred Capital Receipts Account:</b>						
Transfer from deferred Capital Receipts Reserve to CIES	0	0	7	0	0	(7)
<b>Other Adjustment</b>						
Net transfer to or from earmarked reserves as required by legislation	0	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	24,249	0	(289)	(1,597)	816	(23,179)

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves					Unusable Reserves
	Council Fund Balance	Council Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2011/12	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&amp;ES):</i>						
Charges for depreciation and impairment of non current assets	19,891	0	23,792	0	0	(43,683)
Revaluation losses on Property, Plant and Equipment	29,897	0	0	0	0	(29,897)
Movements in the market value of Investment Properties	(1,261)	0	0	0	0	1,261
Amortisation of intangible assets	(15)	0	15	0	0	0
Capital grants and contributions applied	0	0	0	0	(23,898)	23,898
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	7,741	0	50	0	0	(7,791)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(42)	0	0	0	0	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	(6,281)	0	(552)	0	0	6,833
Capital expenditure charged against the Council Fund and HRA balances	(1,288)	(457)	(2,714)	0	0	4,459
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CI&ES	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(17,939)	0	0	0	17,939	0
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(153)	0	153
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals						
Transfer from deferred Capital Receipts Reserve upon receipt of cash						
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	(132)	0	0	132
<b>Adjustments involving the Pensions Reserve:</b>						
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	350	0	0	0	0	(350)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	1,105	0	0	(1,105)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	(977)	0	0	977
<b>Adjustment involving the Equal Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	3,545	0	0	0	0	(3,545)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	102	0	38	0	0	(140)
<b>Other Adjustment</b>						
Net transfer to or from earmarked reserves as required by legislation	15,146	0	0	0	0	(15,146)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>49,846</b>	<b>(457)</b>	<b>20,625</b>	<b>(153)</b>	<b>(5,959)</b>	<b>(63,902)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. RELATED PARTIES

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

- Welsh 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 note 5 with further (revenue) grant support provided across various services to the value of £26,128k (£38,267k in 2011/12).
- Relevant transactions with members of the Council during 2012/13 amounted to £565k (£528k in 2011/12), a figure based on returns received from 70 members. One member was appointed in March 2011 as a commissioner to run Anglesey County Council. Transactions with Anglesey County Council for normal Council business amounted to £793k in 2012/13 (£368k in 2011/12). The personal interests of all members are recorded in the Public Register of Members' Interests, in accordance with the law and the Council's Code of Conduct. The Register is available for public inspection by contacting the Head of Legal and Democratic Services at Flintshire County Council, County Hall, Mold.
- The Authority has a pooled budget arrangement with Wrexham County Borough Council and Betsi Cadwaladr University Health Board for the provision of an integrated community equipment service. Further details of the income and expenditure of the partnership in 2012/13 can be found in note 15.
- Total precepts and levies to the North Wales Police Authority and the North Wales Fire and Rescue Authority amounted to £20,041k (£19,757k in 2011/12); total precepts to the 34 community/town councils amounted to £2,247k (£2,191k in 2011/12).
- Details of transactions with the Clwyd Pension Fund are provided in note 4 on pages 31 to 33, and within the Pension Fund accounts on pages 76 to 102.

### 9. AUDIT FEES

Total audit and inspection fees due during the year amounted to £496k (£495k in 2011/12). External audit services were provided by Wales Audit Office.

	2013	2012
	£000	£000
Fees for the accounts	216	216
Fees for the Local Government Measure	140	127
Fees for grants	140	152
	<u>496</u>	<u>495</u>

### 10. 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 £2,280k (£2,063k in 2011/12).

Income and expenditure relating to the Trunk Road Agency Agreement is incorporated in the comprehensive income and expenditure statement net cost of services total.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. Total income of £2,332k was received from Welsh Government during 2012/13 with payments against this sum amounting to £1,847k, of which Flintshire County Council received £529k.

### 11. 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 including payments on termination of employment, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000 :-

Remuneration Band	2013		2012	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	1	18	2	13
£65,000 - £69,999	5	4	7	5
£70,000 - £74,999	4	4	10	3
£75,000 - £79,999	2	1	2	1
£80,000 - £84,999	5	4	1	3
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	1	2	0	2
£95,000 - £99,999	2	0	2	0
£100,000 - £104,999	1	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	1	0
£115,000 - £119,999	1	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	0	0	1	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
£155,000 - £159,999	0	0	1	0
£160,000 - £164,999	1	0	1	0
	24	33	28	27

Information has been compiled on the basis of the requirements of the Accounts and Audit Regulations, and related CIPFA guidance; the 2012/13 numbers include 4 interim employees covering permanent posts. All non-schools numbers include the senior employee posts listed on page 42. The band values do not include employer pension contributions, which for 2012/13 were accounted for at a rate of 14.1% for teachers and 22.5% for other employees.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Senior Employee Emoluments

The Accounts and Audit (Wales (Amendment) Regulations 2010 introduced the requirement to disclose the individual remuneration details for senior employees by post where the salary is between £60,000 and £150,000 and by name where the salary exceeds £150,000. Senior employees for the purpose of the disclosure are the chief executive, strategic directors, statutory chief officers and persons for whom the chief executive is directly responsible.

Post Title	Note	Pensionable Pay £	Expense Allowance £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contributions £	Total Remuneration Including Pension Contributions £
<b>2012/13</b>						
Chief Executive - Colin Everett	1	159,597	0	159,597	35,909	195,506
Director of Environment		97,328	0	97,328	21,899	119,227
Director of Community Services		91,437	0	91,437	20,400	111,837
Director of Lifelong Learning		97,328	0	97,328	21,899	119,227
Head of Finance		81,960	0	81,960	18,441	100,401
Head of Legal and Democratic Services	2	76,917	0	76,917	16,744	93,661
Head of Human Resources and Organisational Development		74,063	0	74,063	15,608	89,671
Head of ICT & Customer Services	3	80,679	0	80,679	18,009	98,688
		759,309	0	759,309	168,909	928,218
<b>2011/12 (comparative information)</b>						
Chief Executive - Colin Everett	1	156,302	80	156,382	35,168	191,550
Director of Environment		97,328	0	97,328	21,899	119,227
Director of Community Services	4	62,776	0	62,776	14,124	76,900
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 Human Resources and Organisational Development		69,154	0	69,154	15,560	84,714
Head of ICT & Customer Services	3	75,557	0	75,557	17,000	92,557
		640,405	80	640,485	144,061	784,546

**Note 1 :** Pensionable pay includes remuneration for (a) returning officer for local and national elections (with costs reimbursed by the respective Government for the latter), and (b) clerk to the North Wales Fire and Rescue Authority (with costs reimbursed by that body). Base salary (un-reviewed and unchanged since 2007) is £131,233.

**Note 2 :** Commenced April 2012. Acting/interim arrangements prior to the appointment are not included in the comparative analysis. Pensionable pay includes remuneration relating to role as Deputy Clerk to the North Wales Fire and Rescue Authority (with costs reimbursed by that body).

**Note 3 :** Pensionable pay includes remuneration for additional responsibilities (Assistant Chief Executive for Organisational Change).

**Note 4 :** Commenced July 2011.

### Exit Packages

The Council is required to disclose (in £20,000 bandings) the numbers of exit packages agreed and the cost of the packages to the authority in the financial year. The totals disclosed are made up of redundancy payments, pension strain (including teacher's pension lump sum payments).

Exit costs arising in 2013/14 which the authority is demonstrably committed to incurring at the 31<sup>st</sup> March 2013 are also included in the disclosure.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	16	37	13	26	29	63	147,931	391,215
£20,001 - £40,000	5	5	5	11	10	16	271,494	465,060
£40,001 - £60,000	0	1	4	9	4	10	184,487	471,003
£60,001 - £110,000	1	0	2	2	3	2	238,997	162,125
	<u>22</u>	<u>43</u>	<u>24</u>	<u>48</u>	<u>46</u>	<u>91</u>	<u>842,909</u>	<u>1,489,403</u>

## 12. 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	2013 £000	2012 £000
Land	0	0
Buildings	0	0
Vehicles, plant and equipment	<u>8,142</u>	<u>5,987</u>
	<u>8,142</u>	<u>5,987</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 £434k is due to be paid during the next 12 months (£414k equivalent for the previous financial year).

	2013 £000	Repaid £000	New £000	2012 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	434	164	184	414
Non-current	7,708	307	2,442	5,573
	<u>8,142</u>	<u>471</u>	<u>2,626</u>	<u>5,987</u>
Finance costs payable in future years	5,496	533	2,009	4,020
Minimum lease payments	<u>13,638</u>	<u>1,004</u>	<u>4,635</u>	<u>10,007</u>

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

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

Finance costs - the interest element of the minimum lease payments

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2013 £000	2012 £000	2013 £000	2012 £000
Not later than one year	1,280	947	434	414
Later than one year and not later than five years	5,603	4,234	2,862	2,146
Later than five years	<u>6,745</u>	<u>4,826</u>	<u>4,846</u>	<u>3,427</u>
	<u>13,628</u>	<u>10,007</u>	<u>8,142</u>	<u>5,987</u>

### Operating Leases -

In 2012/13, operating lease rentals paid amounted to £1,908k (£1,760k in 2011/12).

Asset Classification	2012 £000	2011 £000
Land	55	23
Buildings	152	140
Vehicles, plant and equipment	<u>1,701</u>	<u>1,597</u>
	<u>1,908</u>	<u>1,760</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	37	152	1,181	1,370
Later than one year and not later than five	70	562	1,872	2,504
Later then five years *	<u>952</u>	<u>445</u>	<u>0</u>	<u>1,397</u>
	<u>1,059</u>	<u>1,159</u>	<u>3,053</u>	<u>5,271</u>

\* Any open ended agreements are calculated to 2021/22 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 2012/13, lease rentals receivable amounted to £2,387k (£2,286k in 2011/12).

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

	Land £000	Buildings £000	Total £000
Not later than one year	226	2,181	2,407
Later than one year and not later than five years	916	6,599	7,515
Later then five years *	<u>11,444</u>	<u>12,368</u>	<u>23,812</u>
	<u>12,586</u>	<u>21,148</u>	<u>33,734</u>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Finance Leases –

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

### 13. MEMBERS' ALLOWANCES

Allowances totaling £1,347k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2012/13 (£1,363k in 2011/12), including £6k paid to former members of the Council who did not return to office following the May 2012 elections.

	2013 £000	2012 £000
Basic allowance	921	913
Special responsibility allowance	228	264
Care allowance	0	3
Employer's national insurance	85	89
Employer's superannuation	57	38
Members' expenses	56	56
	<u>1,347</u>	<u>1,363</u>

\* 2012 figures restated to include an additional £2k Employer's superannuation and £10k Members' expenses.

The allowances paid fall into the following bands :-

Allowance Band	2013 Number of Members	2012 Number of Members
£10,000 - £14,999	41	46
£15,000 - £19,999	11	3
£20,000 - £24,999	7	8
£25,000 - £29,999	7	4
£30,000 - £34,999	1	5
£35,000 - £39,999	0	3
£40,000 - £44,999	2	0
£45,000 - £49,999	0	0
£50,000 - £54,999	0	1
£55,000 - £59,999	1	0
	<u>70</u>	<u>70</u>

### 14. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. 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	2013 £000	2012 £000
Gross expenditure	1,043	1,013
Gross income	(1,054)	(1,020)
<b>(Surplus) / deficit for year</b>	<b><u>(11)</u></b>	<b><u>(7)</u></b>
 <b>Contribution to Budget</b>		
Flintshire County Council	406	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 £000	Net £000	%
Flintshire County Council	456	447	50.25
Wrexham County Borough Council	451	442	49.75
	<b><u>907</u></b>	<b><u>889</u></b>	<b><u>100.00</u></b>

### 16. INTANGIBLE ASSETS

	2013			2012		
	Software Licences £000	Development Expenditure £000	Total £000	Software Licences £000	Development Expenditure £000	Total £000
Balance at 1st April						
Gross carrying amounts	463	549	1,012	243	549	792
Accumulated amortisation	(65)	(215)	(280)	(28)	(136)	(164)
Net carrying amount	<u>398</u>	<u>334</u>	<u>732</u>	<u>215</u>	<u>413</u>	<u>628</u>
 Additions	 101	 58	 159	 220	 0	 220
Amortisation for the period *	(116)	(78)	(194)	(37)	(79)	(116)
Balance at 31st March	<b><u>383</u></b>	<b><u>(314)</u></b>	<b><u>697</u></b>	<b><u>398</u></b>	<b><u>334</u></b>	<b><u>732</u></b>
 Comprising:						
Gross carrying amounts	564	607	1,171	463	549	1,012
Accumulated amortisation	(181)	(293)	(474)	(65)	(215)	(280)
Total	<b><u>383</u></b>	<b><u>314</u></b>	<b><u>697</u></b>	<b><u>398</u></b>	<b><u>334</u></b>	<b><u>732</u></b>

\* Additional amortisation following the reclassification of an existing intangible asset from development to software licences.

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy as included on page 21. The amortisation of £194k charged to revenue in 2012/13 (£116k in 2011/12) is absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. PROPERTY PLANT AND EQUIPMENT

#### Movements 2012/13

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April, 2012	281,509	389,032	42,643	6,967	200,535	11,439	5,204	937,329
Additions	10,742	7,011	5,539	0	5,975	55	2,585	31,907
Disposals	0	0	0	0	0	0	0	0
Reclassifications	(550)	(2,746)	6,863	1,126	0	(6,863)	0	(2,170)
Revaluations	(67)	(27,499)	23	(2,568)	0	118	(7,245)	(37,238)
At 31st March 2013	291,634	365,798	55,068	5,525	206,510	4,749	544	929,828
<b>Depreciation and Impairments</b>								
At 1st April, 2012	(5,225)	(87,972)	(31,171)	(15)	(46,916)	(1,761)	0	(173,060)
Depreciation charge for 2012/13	(5,208)	(8,552)	(3,746)	0	(5,172)	0	0	(22,678)
Impairment charge for 2012/13	(185)	(308)	(671)	(99)	0	(11)	0	(1,274)
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	432	(1,739)	(177)	0	1,739	0	255
	24	17,661	0	177	0	4	0	17,866
At 31st March 2013	(10,594)	(78,739)	(37,327)	(114)	(52,088)	(29)	0	(178,891)
Balance Sheet at 31st March 2013	281,040	287,059	17,741	5,411	154,422	4,720	544	750,937
Acquisitions AD Waste purchase *	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2013	281,040	289,971	18,727	5,411	154,422	4,720	1,031	755,322
Balance Sheet at 1st April 2012	276,284	303,972	12,458	6,952	153,619	9,678	5,691	768,654
<b>Nature of Asset Holding</b>								
Owned	281,040	289,971	10,786	5,411	154,422	4,720	1,031	747,381
Finance Lease	0	0	7,941	0	0	0	0	7,941
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2013	281,040	289,971	18,727	5,411	154,422	4,720	1,031	755,322

\* 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 2012/13 Statement of Accounts, the liquidation of AD Waste remains ongoing.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1st April 2011	305,432	470,006	33,877	9,032	195,677	10,920	12,025	1,036,969
Additions	10,348	7,303	7,779	0	4,858	519	3,991	34,798
Disposals	(118)	0	0	(275)	0	0	0	(393)
Reclassifications	0	(137)	450	7,118	0	0	0	7,431
Revaluations	(34,153)	(88,140)	537	(8,908)	0	0	(10,812)	(141,476)
At 31st March 2012	<u>281,509</u>	<u>389,032</u>	<u>42,643</u>	<u>6,967</u>	<u>200,535</u>	<u>11,439</u>	<u>5,204</u>	<u>937,329</u>
<b>Depreciation and Impairments</b>								
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	(5,216)	(5,245)	(1,630)	0	(5,255)	(299)	0	(17,645)
Impairment charge for 2011/12	0	0	(1,082)	0	0	0	0	(1,082)
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
	12,137	45,847	(537)	1,098	0	0	10,812	69,357
At 31st March 2012	<u>(5,225)</u>	<u>(87,972)</u>	<u>(31,171)</u>	<u>(15)</u>	<u>(46,916)</u>	<u>(1,761)</u>	<u>0</u>	<u>(173,060)</u>
Balance Sheet at 31st March 2012	<u>276,284</u>	<u>301,060</u>	<u>11,472</u>	<u>6,952</u>	<u>153,619</u>	<u>9,678</u>	<u>5,204</u>	<u>764,269</u>
Acquisitions AD Waste purchase *	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2012	<u>276,284</u>	<u>303,972</u>	<u>12,458</u>	<u>6,952</u>	<u>153,619</u>	<u>9,678</u>	<u>5,691</u>	<u>768,654</u>
Balance Sheet at 1st April 2011	<u>293,286</u>	<u>344,344</u>	<u>6,941</u>	<u>7,919</u>	<u>154,016</u>	<u>9,458</u>	<u>1,700</u>	<u>817,664</u>
<b>Nature of Asset Holding</b>								
Owned	276,284	303,972	6,471	6,952	153,619	9,678	5,691	762,667
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	<u>276,284</u>	<u>303,972</u>	<u>12,458</u>	<u>6,952</u>	<u>153,619</u>	<u>9,678</u>	<u>5,691</u>	<u>768,654</u>

### Property, Plant and Equipment

- Council dwellings, other land and buildings, vehicles, plant, furniture and equipment that are held, occupied, used or contracted to be used on behalf of the Authority, or consumed in the direct delivery of services. Included are dwellings and other housing properties, office buildings, schools, libraries, sports centres and pools, residential homes/day centres, depots and workshops, cemetery buildings, off street car parks, vehicles, mechanical plant, fixtures and fittings and other equipment.
- Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Included are highways, footpaths, bridges, water and drainage facilities and coastal defences.
- Community assets are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect of sale and change of use. Included are parks and open spaces, recreation grounds, play areas and cemetery land.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

#### Movements 2012/13

	Investment Properties £000	Agricultural Estate £000	Total £000
<b>Cost or Valuation</b>			
At 1st April 2012	28,613	13,278	41,891
Additions	24	0	24
Disposals	0	0	0
Reclassifications	(1,745)	(3,100)	(4,845)
Revaluations	(5,167)	0	(5,167)
At 31st March 2013	<u>21,725</u>	<u>10,178</u>	<u>31,903</u>
<b>Depreciation and Impairments</b>			
At 1st April 2012	(587)	0	(587)
Depreciation charge for 2012/13	0	0	0
Impairment charge for 2012/13	0	0	0
Disposals	0	0	0
Reclassifications	(255)	0	(255)
Revaluations	587	0	587
	<u>(255)</u>	<u>0</u>	<u>(255)</u>
Balance Sheet at 31st March 2013	<u>21,470</u>	<u>10,178</u>	<u>31,648</u>
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2013	<u>21,616</u>	<u>10,178</u>	<u>31,794</u>
Balance Sheet at 1st April 2012	<u>28,172</u>	<u>13,278</u>	<u>41,450</u>
<b>Nature of Asset Holding</b>			
Owned	21,616	10,178	31,794
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2013	<u>21,616</u>	<u>10,178</u>	<u>31,794</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2011/12

	Investment Properties £000	Agricultural Estate £000	Total £000
<b>Cost or Valuation</b>			
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	<u>28,613</u>	<u>13,278</u>	<u>41,891</u>
<b>Depreciation and Impairments</b>			
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
	<u>(587)</u>	<u>0</u>	<u>(587)</u>
Balance Sheet at 31st March 2012	<u>28,026</u>	<u>13,278</u>	<u>41,304</u>
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2012	<u>28,172</u>	<u>13,278</u>	<u>41,450</u>
Balance Sheet at 1st April 2011	<u>27,006</u>	<u>14,493</u>	<u>41,499</u>
<b>Nature of Asset Holding</b>			
Owned	28,172	13,278	41,450
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2012	<u>28,172</u>	<u>13,278</u>	<u>41,450</u>

## 19. 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 2012/13 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 2012/13 approximately 25% of non-dwelling assets were revalued, although material changes to valuations are adjusted as they occur. The valuation process incorporates impairment reviews in compliance with IAS 36.

Council dwellings and garages have been valued on the basis of existing use value for social housing. All property, plant and equipment are now valued at fair value (as is required by the implementation of IFRS) in accordance with IAS 16, with the exception of infrastructure assets, community assets and assets under construction which are valued on the basis of historical cost.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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 valuers –

### Property, Plant and Equipment -

Council housing garages	Paula M. Blellock BSc (Hons) MRICS of Flintshire County Council
Council dwellings	Not applicable this financial year
Residential homes	Not applicable this financial year
Other operational land and buildings	Paula M. Blellock BSc (Hons) MRICS, Paul Brockley BSc (Hons) MRICS, John Allen MRICS, Lisa McLellan BSc (Hons) MRICS all of Flintshire County Council

### Non-Operational Assets

Investment property	Paula M. Blellock BSc (Hons) 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 2012/13 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 18.

Vehicles, plant, furniture and equipment are valued on the basis of historical cost at £18,727k, net of depreciation (£12,458k in 2011/12).

## 20. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table on page 51 (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the capital financing requirement, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

### Future Commitments

At 31<sup>st</sup> March 2013, the Council's forward capital programme includes (amongst other indicative programme schemes), significant commitments in respect of school modernisation works (£37,411k), private sector housing renewal loans (£9,850k), school buildings repair and maintenance 'backlog' works (£9,530k) and depot rationalisation (£2,350k).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013	2012
	£000	£000
<b>Capital Investment</b>		
Property, plant and equipment	31,907	34,798
Investment properties	24	261
Intangible assets	159	220
REFCUS (see page 25)	7,890	8,355
	39,980	43,634
<b>Sources of Finance</b>		
Capital receipts	(6,051)	(2,618)
Capital grants and contributions	(17,297)	(23,898)
Capital reserves / CERA	(5,087)	(4,095)
	(28,435)	(30,611)
<b>Increase/(decrease) in capital financing requirement</b>	11,545	13,023
Increase in supported borrowing	5,141	5,788
Increase in other (unsupported) borrowing	3,778	1,812
Assets acquired under finance leases	2,626	5,423
	11,545	13,023

### 21. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at fair value. Further related information is included in note 36 on pages 64 – 65.

	2013	2012
	£000	£000
War stock	15	15
Shares	724	725
Banks/building society deposits	0	2,013
	739	2,753

### 22. LONG TERM DEBTORS

	2013	2012
	£000	£000
Mortgages - Former council house tenants	0	2
Renewal and improvement loans	1,291	769
First time buyer loans	100	100
Assisted car purchase loans	160	155
Private street works	41	40
	1,592	1,066

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. INVENTORIES

The Council holds total inventories of £1,024k (£1,269k in 2011/12) in the balance sheet as at 31<sup>st</sup> March 2013.

	2013	2012
	£000	£000
Building maintenance	29	90
Highways maintenance	286	322
Fleet fuel	23	33
Grounds maintenance	8	8
Vehicle maintenance	38	35
Rock salt	256	257
Miscellaneous	384	524
	1,024	1,269

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.

	2013	2012
	£000	£000
Building maintenance *	0	463
Highways maintenance	308	332
Fleet fuel (Queensferry) **	0	93
Fleet fuel, grounds maintenance and vehicle maintenance (Alltami)	623	511
	931	1,399

\* Building maintenance inventory is now externally managed under a partnership arrangement with Travis Perkins.

\*\* Fleet fuel previously located at Queensferry has been transferred to the Alltami depot.

### 24. SHORT TERM DEBTORS

	2013	2012
	£000	£000
Housing rents	1,491	1,398
Council tax	2,651	2,700
Government departments	9,443	454
Taxation	3,420	1,816
Lending	127	138
Payments made in advance	2,424	3,492
Benefit overpayments	2,260	1,651
Non-domestic rates agency	3,380	450
Other debtors	17,730	20,535
	42,926	32,634
Less provision for impairment losses (note 32)	(2,768)	(2,699)
	40,158	29,935

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. SHORT TERM INVESTMENTS

The balance sheet total of £19,802k (£13,599k in 2011/12) is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash, amounting to £36,300k (£24,000k in 2011/12). Included within the total are accounting entries required relating to; deposits with the Icelandic bank Landsbanki (see note 4 on pages 29 to 30), and interest on the purchase price of AD Waste (see note 17 on page 46).

	2013 £000	2012 £000
Investments (3 months – 365 days)	17,800	11,000
Accrued interest	130	128
	17,930	11,128
Residual Landsbanki Investment	1,938	2,613
Accrued Interest	737	633
Impairment	(1,131)	(1,065)
AD Waste	328	290
	1,872	2,471
	19,802	13,599

### 26. CASH AND CASH EQUIVALENTS

	2013		2012	
	£000	£000	£000	£000
<b>Current Assets</b>				
Temporary investments (call accounts)		2,000		16,000
Cash and cash equivalents	37,412		25,458	
Cash overdrawn	(5,064)		(2,521)	
		32,348		22,937
		34,348		38,937

### 27. ASSETS HELD FOR SALE

Those assets that are highly probable to be sold within one year of classification. The re-classifications adjustment (£7,015k) links with those reclassifications recorded within Property, Plant and Equipment – see note 17 on page 46 and note 18 on page 48.

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Agricultural Estate £000	Total £000
At 1st April 2012	518	2,234	0	0	2,752
Assets newly classified as held for sale	704	579	2,786	3,100	7,169
Assets declassified as held for sale	(154)	0	0	0	(154)
<b>Net Reclassifications</b>	550	579	2,786	3,100	7,015
Revaluation losses	0	(135)	(241)	0	(376)
Revaluation gains	0	0	20	0	20
<b>Net Revaluations</b>	0	(135)	(221)	0	(356)
Assets sold	(785)	(779)	(1,528)	0	(3,092)
<b>At 31st March 2013</b>	283	1,899	1,037	3,100	6,319

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The balance sheet total of £8,827k (£10,487k in 2011/12) 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.

	2013 £000	2012 £000
Accrued interest on long term external borrowing	4,242	4,298
Government (PWLB)	-	1,500
Invest to Save loan (from Welsh Government)	-	131
Energy Efficiency Loans (from Salix Finance Ltd.)	54	27
AD Waste - inter company loan	<u>4,531</u>	<u>4,531</u>
	<u>8,827</u>	<u>10,487</u>

### 29. CREDITORS

	2013		2012	
	£000	£000	£000	£000
<b>Short Term</b>				
General creditors *		31,152		26,344
<b>Payments received in advance</b>				
Housing rents	247		233	
Council tax	592		679	
Other	<u>1,222</u>		<u>1,719</u>	
		<u>2,061</u>		<u>2,631</u>
		<u>33,213</u>		<u>28,975</u>
<b>Long Term</b>				
<b>Payments received in advance</b>				
Other		<u>2,480</u>		<u>1,905</u>
		<u>2,480</u>		<u>1,905</u>

\* prior period adjusted figure in respect of grants received in advance that are yet to be recognised as income, which are separately disclosed in the balance sheet (see note 30 below)

### 30. GRANTS RECEIPTS IN ADVANCE

	2013 £000	2012 £000
<b>Short Term</b>		
Revenue grants *	4,878	4,095
	<u>4,878</u>	<u>4,095</u>
<b>Long Term</b>		
Revenue grants *	<u>2,065</u>	<u>614</u>
	<u>2,065</u>	<u>614</u>

\* prior period adjusted figures

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. LONG TERM BORROWING

Analysis	Interest Rates		2013	2012
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
Salix Finance (Energy Efficiency)	Interest Free		243	297
Government (PWLB)	0.54	9.50	153,163	153,163
Other financial institutions	4.48	4.58	18,950	18,950
			172,356	172,410
<b>By Maturity</b>				
Between 1 and 2 years			0	55
Between 2 and 5 years			1,600	162
Between 5 and 10 years			15,734	14,771
More than 10 years			155,022	157,422
			172,356	172,410

### 32. 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 £10,617k incorporates the following balances :-

	2013	Movement Out	Movement In	2012
	£000	£000	£000	£000
Claims (staff)	9	0	0	9
North Wales Safety Camera Partnership	1	0	0	1
Equal pay	8,939	(4,705)	0	13,644
MMI Scheme of Arrangement	577	0	577	0
Aftercare of former landfill sites	1,091	0	1,091	0
	10,617	(4,705)	1,668	13,654

- 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 12 (and the disclosure on page 62) 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. The single status/equal pay reserve (as included within earmarked reserves on page 57), provides cash-backing for the provision; the £8,939k is not additional to the £25,653k earmarked reserve figure.
- The provision in relation to the 'MMI Scheme of Arrangement' was created in 2012/13 following the decision taken by the board of MMI to trigger the scheme of arrangement on 13<sup>th</sup> November 2012.

MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off was unlikely to be achieved then the scheme of arrangement would be triggered.

## NOTES TO THE CORE FINANCIAL STATEMENTS

All scheme Creditors would be subject to a percentage levy on all scheme liabilities paid to date and any future payments would be made at a reduced rate.

The scheme administrator has informed scheme Creditors that the levy will be 15% of claims paid to date. Flintshire, as the incumbent local government organisation, is responsible for paying the levy in relation to the former borough councils of Delyn and Alyn and Deeside, and its share of the former county council of Clwyd as agreed with the other North Wales Local Authorities. 15% of total claims paid to date equates to the provision of £577k.

- In the 2011/12 accounts a deferred liability of £1,090k was included in Flintshire's balance sheet. This followed the Council's acquisition of AD Waste Ltd and was to recognize the need to provide for the environmental aftercare costs of former waste disposal sites. In 2012/13 this was transferred to non-current provisions, reviewed for adequacy and increased to £1,091k to reflect the transfer of responsibility to the Council for the environmental aftercare costs of these former waste disposal sites.

### Current Provisions – Accumulated Absences

The provision for accumulated absences in 2012/13 is £2,466k (£3,738k in 2011/12).

	2013 £000	Movement Out £000	Movement In £000	2012 £000
Accumulated absences	<u>2,466</u>	<u>(1,432)</u>	<u>160</u>	<u>3,738</u>
	<u>2,466</u>	<u>(1,432)</u>	<u>160</u>	<u>3,738</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 31<sup>st</sup> 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.

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

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

	2013 £000	2012 £000
Housing rents	719	637
Council tax	770	803
Other debtors	<u>1,279</u>	<u>1,259</u>
	<u>2,768</u>	<u>2,699</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. DEFERRED LIABILITIES

	2013 £000	2012 £000
Non-current finance leases	7,708	5,573
AD Waste Limited	0	1,090
	7,708	6,663

A finance lease total of £7,708k is due to be paid beyond 2012/13 (£5,573k in 2011/12) as part of the minimum lease payments due as disclosed in note 12 on page 42.

The AD Waste Limited liability £1,090k in 2011/12 in respect of the environmental aftercare of former waste disposal sites, was transferred to non-current provisions in 2012/13 as disclosed in note 32 on page 56.

### 34. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 7 on page 36.

#### Council Fund

The Council fund balance of £9,270k represents the value of unearmarked reserves available to the Authority (£6,468k in 2011/12).

#### Earmarked Reserves

Total earmarked reserves of £40,177k (£37,964k in 2011/12) include revenue service balances of £6,461k (£6,479k in 2011/12), the surpluses generated by locally managed schools of £3,097k (£2,658k in 2011/12), and various other specific reserves. Movement between earmarked reserves is summarised in the following table :-

	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
Service balances	5,795	(4,519)	5,203	6,479	(5,385)	5,367	6,461
School balances	1,974	(2,741)	3,425	2,658	(2,917)	3,356	3,097
Single status/equal pay	20,380	0	3,776	24,156	0	1,497	25,653
Benefits equalisation	255	0	234	489	(121)	751	1,119
County elections	49	0	43	92	(4)	0	88
Clwyd Theatr Cymru	5	(5)	(43)	(43)	43	17	17
Supporting people	1,209	0	284	1,493	0	0	1,493
Community equipment store	48	0	7	55	0	11	66
Building control trading account	248	(39)	0	209	0	0	209
Milk quotas	68	0	4	72	0	5	77
Waste disposal	895	(85)	0	810	(102)	0	708
Planning gain	3	0	0	3	0	0	3
Flintshire Enterprise Ltd	219	(32)	0	187	(48)	0	139
Third party claims	87	0	0	87	0	0	87
Design fees	0	0	120	120	0	0	120
Mineral and waste	0	0	7	7	0	4	11
Winter maintenance	0	0	245	245	(245)	0	0
Insurance fund - asbestos	100	0	60	160	0	0	160
Flintshire Insurance Fund	1,037	(362)	0	675	(15)	0	660
Clwyd Insurance Fund	10	0	0	10	(1)	0	9
Housing - CERA	457	(457)	0	0	0	0	0
	32,839	(8,240)	13,365	37,964	(8,795)	11,008	40,177



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Housing Revenue Account

The housing revenue account reserve surplus of £1,931k (£1,890k in 2011/12) reflects the 2012/13 HRA surplus of £41k (£276k in 2011/12), as detailed on pages 72 and 73.

### 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.

## 35. UNUSABLE RESERVES

The details of movements on unusable reserves are as follows –

Reserves	2013 £000	2012 £000
Revaluation reserve	53,977	58,060
Available-for-sale financial instruments reserve	366	368
Capital adjustment account	552,337	570,607
Financial instruments adjustment account	(8,381)	(9,051)
Pensions reserve	(305,518)	(240,834)
Equal pay account	(8,939)	(13,644)
Deferred capital receipts	2	9
Accumulated absences account	(2,466)	(3,738)
<b>Total Unusable Reserves</b>	<b>281,378</b>	<b>361,777</b>

### Revaluation Reserve

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Revaluation Reserve:

	2013		2012	
	£000	£000	£000	£000
Balance at 1st April		58,060		114,579
Upward revaluation of assets	12,232		9,464	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(6,818)</u>		<u>(26,091)</u>	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		5,414		(16,627)
Difference between fair value depreciation and historical cost depreciation	(9,497)		(39,892)	
Accumulated gains on assets sold or scrapped	<u>0</u>		<u>0</u>	
Amount written off to the capital adjustment account		(9,497)		(39,892)
Balance at 31st March		<u>53,977</u>		<u>58,060</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.

	2013		2012	
	£000	£000	£000	£000
Balance at 1st April		368		254
Upward revaluation of investments	0		114	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	<u>(2)</u>		<u>0</u>	
Balance at 31st March		<u>366</u>		<u>368</u>

### Pensions Reserve

The pensions reserve is an adjustment account that absorbs the timing differences arising from different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement - the benefits are earned by employees accruing years of service. The liabilities recognised in the accounts are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The actuarial gains and losses identified as movements on the pensions reserve in 2012/13 are as detailed within the tables included in note 4 on pages 30 to 33:-

	2013	2012
	£000	£000
<b>Statement of Actuarial (Gains) and Losses -</b>		
Asset (gain)/loss	(13,970)	16,756
Liability (gain)/loss	76,603	20,425
<b>Net (Gain)/Loss</b>	<u>62,633</u>	<u>37,181</u>

### Capital Adjustment Account

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

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

Note 7 on pages 36 and 37 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013		2012	
	£000	£000	£000	£000
Balance at 1st April		570,607		574,061
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	(49,151)		(73,830)	
- Amortisation of intangible assets	(35)		104	
- Revenue expenditure funded from capital under statute	(7,367)		(7,791)	
- 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	1,171		(1,540)	
		(55,382)		(83,057)
Long term debtors adjustments		837		967
Adjusting amounts written out of the revaluation reserve		9,497		39,892
Net written out amount of the cost of non-current assets consumed in the year		(45,048)		(42,198)
Capital financing applied in the year:				
- Use of the capital receipts reserve	2,263		2,858	
- Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	17,297		23,898	
- Statutory provision for the financing of capital investment charged against the council fund and HRA balances	6,834		6,852	
- Capital expenditure charged against the council fund and HRA balances	4,927		3,875	
		31,321		37,483
Movements in the market value of investment properties debited or credited to the Comprehensive income and expenditure statement	(4,543)		1,261	
		(4,543)		1,261
Balance at 31st March		<u>552,337</u>		<u>570,607</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Instruments Adjustment Account

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

	2013		2012	
	£000	£000	£000	£000
Balance at 1st April		(9,051)		(9,679)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement			0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	670		628	
Impaired investment transfers - Landsbanki	<u>                    </u>		<u>                    </u>	0
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		670		628
Balance at 31st March		<u><u>(8,381)</u></u>		<u><u>(9,051)</u></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.

	2013		2012	
	£000	£000	£000	£000
Balance at 1st April		(13,644)		(10,099)
(Increase) / decrease in provision for equal pay cases	4,705		(3,545)	
Cash settlements paid in the year	<u>                    </u>		<u>                    </u>	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		4,705		(3,545)
Balance at 31st March		<u><u>(8,939)</u></u>		<u><u>(13,644)</u></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2013	2012
	£000	£000
Council houses	2	9
	2	9

### Accumulated Absences Account

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

	2013		2012	
	£000	£000	£000	£000
Balance at 1st April		(3,738)		(3,598)
Settlement or cancellation of accrual made at the end of the preceding year	3,738		3,598	
Amounts accrued at the end of the current year	(2,466)		(3,738)	
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		1,272		(140)
Balance at 31st March		(2,466)		(3,738)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2013 £000	2012 £000	2013 £000	2012 £000
Financial liabilities at amortised cost	172,410	172,410	4,242	5,798
Payables	<u>0</u>	<u>0</u>	<u>37,214</u>	<u>30,234</u>
<b>Total financial liabilities</b>	<b><u>172,410</u></b>	<b><u>172,410</u></b>	<b><u>41,456</u></b>	<b><u>36,032</u></b>
Loans	1,291	769	19,802	13,599
Receivables	0	2,013	28,066	19,879
Available-for-sale financial assets	<u>739</u>	<u>740</u>	<u>0</u>	<u>0</u>
<b>Total financial assets</b>	<b><u>2,030</u></b>	<b><u>3,522</u></b>	<b><u>47,868</u></b>	<b><u>33,478</u></b>

The balance sheet value of trade payables and other payables amounted to £37,214k (£30,234k in 2011/12) as disclosed above, and trade receivables amounted to £28,066 (£19,879k in 2011/12).

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

	2013				2012			
	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	(10,019)	0	0	(10,019)	(10,231)	0	0	(10,231)
Impairment losses	0	35	0	35	0	361	0	361
<b>Interest payable and similar charges</b>	<b><u>(10,019)</u></b>	<b><u>35</u></b>	<b><u>0</u></b>	<b><u>(9,984)</u></b>	<b><u>(10,231)</u></b>	<b><u>361</u></b>	<b><u>0</u></b>	<b><u>(9,870)</u></b>
Interest income	0	749	0	749	0	670	0	670
<b>Interest and investment income</b>	<b><u>0</u></b>	<b><u>749</u></b>	<b><u>0</u></b>	<b><u>749</u></b>	<b><u>0</u></b>	<b><u>670</u></b>	<b><u>0</u></b>	<b><u>670</u></b>
Gain on revaluation			<u>0</u>				<u>0</u>	
<b>Deficit arising on revaluation of financial assets</b>			<u>0</u>				<u>0</u>	
<b>Net gain/(loss) for the year</b>	<b><u>(10,019)</u></b>	<b><u>784</u></b>	<b><u>0</u></b>		<b><u>(10,231)</u></b>	<b><u>1,031</u></b>	<b><u>0</u></b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2012/13 borrowing figure for Public Works Loans Board (PWLB) loans has been calculated by reference to the 'premature repayment' set of rates in force on 31<sup>st</sup> March 2013 (in line with the 2012/13 method).

The 2012/13 Lender Option Borrower Option loans (LOBOs) figure has been calculated by discounting the cashflows over the whole life of the loans at the appropriate interest rate.

The fair value of shares and war stock are calculated using the value of undated gilts as published for 31<sup>st</sup> March 2013.

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:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Financial Liabilities</b>				
PWLB	157,179	226,577	158,734	223,022
LOBOs	19,176	26,298	19,177	26,480
	<u>176,355</u>	<u>252,875</u>	<u>177,911</u>	<u>249,502</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.

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Loans and Receivables</b>				
War stock	15	15	15	15
Shares	724	724	725	725
Long term investments	0	0	2,013	2,013
	<u>739</u>	<u>739</u>	<u>2,753</u>	<u>2,753</u>



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council manages its Treasury Management risk by adoption of the CIPFA Treasury Management in the Public Services - Code of Practice 2011, the Prudential Code for Capital Finance in Local Authorities, and an Annual Investment Strategy as issued by the National Assembly for Wales under section 15 (1) (a) of the Local Government Act 2003. The Authority must prepare (as a minimum) a Policy and Strategy Statement (a mid-year report) and an annual outturn report for submission to Cabinet, in accordance with Financial Procedure Rules. The Welsh Government also requires investment limits on specified (investments offering high security and liquidity), non-specified investments (investments with greater potential risk) and investments committed for more than one year. In addition, key prudential indicators must be set and Treasury Management Practices documented. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

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

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

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

### Risk - Liabilities

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

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; 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 Strategy to have 35% variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 10% of debt to reach maturity in any one year.
- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to 35% of long term borrowing.

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in variable rate debt costs of £90k.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 used during 2012/13 is shown in the table below :-

Rating Type	FITCH		MOODY'S		STANDARD & POORS	
	UK & Overseas	Building Societies	UK & Overseas	Building Societies	UK & Overseas	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 £455k. 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 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 2012/13 related to AD Waste Limited; there is no longer a credit risk involved as the company came in house during 2010/11.

#### 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.

### 37. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The County Council administered 21 education trust funds during 2012/13, 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 1 of the funds was transferred to its associated school during 2012/13 and 1 fund was dissolved as it had fulfilled its purpose; the remaining 19 funds are under review. The total fund balance at 31<sup>st</sup> March 2013 was £203,318 (£277,394 in 2011/12), 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 31<sup>st</sup> March 2013 was £115,492 (£130,474 in 2011/12), 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 2011/12). 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 31<sup>st</sup> March 2013 the fund balance was £599,782 (£577,424 in 2011/12), Flintshire having an unused income balance of £500 (£548 in 2011/12). 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 31<sup>st</sup> March 2013 was £3,111k in 297 separate accounts (£2,588k in 306 accounts in 2011/12).

### 39. CONTINGENT LIABILITIES

- 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. 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. The outcome of the Birmingham City Council case (2012) may increase the potential liability costs as claims may now be brought for up to 6 years, rather than 6 months (as was the case previously).
- An Adjudication Panel Wales hearing in respect of an elected Member is due to conclude before 30<sup>th</sup> June 2013. Depending upon the outcome of the hearing the Council may have to pay none, some or all of the Members costs of defending the case.
- A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £186k plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh authorities for alleged anti-competitive behavior. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.
- As part of its 'Contaminated Land Inspection Strategy' the Council is currently undertaking environmental investigations at 10 former waste disposal sites within the county. The Council is working with Natural Resources Wales (formerly known as the Environment Agency) to establish the potential liability for any necessary remedial works and future aftercare costs.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Further to the provision in relation to the 'MMI Scheme of Arrangement' in Note 32 page 55, the Council recognises that any future payments made by MMI after the imposition of the initial levy will be made at the reduced rate of 85% and has created an earmarked reserve to fund the 15% that the Council in any future claim settled will need to fund. The projection of future claims is uncertain because of the latent nature of many of the claims that MMI is still receiving. The levy is subject to review at least once every 12 months by the scheme administrator. Despite setting an initial levy of 15%, when modelling projected outcomes for the solvent run-off of MMI, the administrator indicated that the levy could range between 9.5% and 28%.

### 40. 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 UK High Court 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.

### 41. 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 images can be accessed from the Record Office pages of the FCC website.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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.

### 42. JOINT ARRANGEMENTS

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

- North East Wales Community Equipment Service (with Wrexham)
- North East Wales Food Waste Hub (with Conwy and Denbighshire)
- North Wales Residual Waste Treatment Project (with Anglesey, Conwy, Denbighshire and Gwynedd)
- North Wales Procurement Partnership (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- Taith [North Wales Regional Transport Consortium] (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 15 on page 45), the North Wales Residual Waste Treatment Project (NWRWTP), and Taith.

Separate (joint committee) financial statements are prepared for both the NWRWTP and Taith. The 2012/13 joint committee statements record NWRWTP expenditure of £843k [£503k net of grant] (£998k in 2011/12) and Taith expenditure of £185k (£150k in 2011/12); the net expenditure totals are shared equally by all partners.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £9,548k (£11,972k in 2011/12) include the following interest elements :

	2013	2012
	£000	£000
Interest received	606	607
Interest paid	(10,063)	(6,446)

### 44. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2013	2012
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(29,474)	(30,420)
Purchase of short term and long term investments	(6,125)	(2,613)
Other payments for investing activities	(523)	(565)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	4,909	2,622
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	18,114	17,939
<b>Net cash flows from investing activities</b>	<b>(13,099)</b>	<b>(13,037)</b>

### 45. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013	2012
	£000	£000
Cash receipts of short term and long term borrowing	0	324
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	0	(451)
Repayment of short term and long term borrowing	(1,658)	(66)
Other payments for financing activities	(461)	0
<b>Net cash flows from financing activities</b>	<b>(2,119)</b>	<b>(193)</b>

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**  
for the year ended 31st March 2013

	2013		2012	
	£000	£000	£000	£000
<b>Expenditure</b>				
Repairs and maintenance		8,385		9,111
Management and supervision		3,339		3,058
Rents, rates, taxes and other charges		1,175		997
Housing revenue account subsidy payable		6,168		6,311
Depreciation and impairment of non-current assets		5,232		23,861
Debt management costs		12		15
Increase in bad debt provision		252		272
<b>Total expenditure</b>		<b>24,563</b>		<b>43,625</b>
<b>Income</b>				
Dwelling rents (gross)	25,388		24,316	
Non-dwelling rents (gross)	296		286	
		25,684		24,602
Charges for services and facilities		757		610
Other		182		
<b>Total income</b>		<b>26,623</b>		<b>25,212</b>
<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(2,059)</b>		<b>18,413</b>
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		124		136
<b>Net cost of HRA services</b>		<b>(1,935)</b>		<b>18,549</b>
Interest payable and similar charges		1,438		1,436
Net loss on sale of HRA assets		176		0
HRA investment income		(10)		(9)
Pensions interest cost and expected return on pension assets		0		373
<b>Total (surplus)/deficit on the HRA Income and Expenditure Statement</b>		<b>(330)</b>		<b>20,349</b>



**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**  
for the year ended 31st March 2013

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)	2013 £000	2012 £000
At 1st April 2012		1,890	1,614
Surplus/(deficit) on the HRA income and expenditure statement		330	(20,349)
<b>Total comprehensive income and expenditure</b>		<b>330</b>	<b>(20,349)</b>
Adjustments between accounting and funding basis under regulations	7	(289)	20,625
<b>Net increase/(decrease) before transfer to earmarked reserves</b>		<b>41</b>	<b>276</b>
Transfers to/(from) earmarked reserves		0	0
<b>Increase/(decrease) in year on the HRA</b>		<b>41</b>	<b>276</b>
At 31st March 2013		1,931	1,890



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

### 1. LEGISLATION

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

### 2. HOUSING STOCK

The type and number of dwellings at 31st March 2013 were :-

Type	2013 No.	2012 No.
Houses	4,073	4,084
Flats	1,375	1,376
Maisonettes	191	199
Bungalows	1,796	1,796
	<u>7,435</u>	<u>7,455</u>

### 3. RENT ARREARS

The rents total of £1,254k (£1,173k in 2011/12) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

Analysis of arrears	2013 £000	2012 £000
<b>Rents</b>		
Current tenants	768	848
Former tenants	486	325
	<u>1,254</u>	<u>1,173</u>
<b>Provision for impairment losses (bad debts)</b>	<b>£000</b>	<b>£000</b>
Opening provision	645	481
Written off in year	(61)	(108)
Increase in provision	252	272
	<u>836</u>	<u>645</u>

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

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Financing

Housing revenue account capital expenditure of £10,742k (£10,348k in 2011/12) was financed as follows :-

	Capital Receipts	Capital Grants & Contributions	Revenue Contributions	Total
	£000	£000	£000	£000
Capital financing	808	5,242	4,692	10,742
	808	5,242	4,692	10,742

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,242k) is the 2012/13 MRA allocation figure of £5,200k (also £5,200k in 2011/12). 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 2012/13 in financing qualifying capital expenditure.

#### Capital Receipts

Gross capital receipts of £806k (£325k in 2011/12) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	2013	2012
	£000	£000
Council dwellings	608	318
Mortgages	7	7
Land sales	191	0
	806	325

#### 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 £5,214k (£5,220k in 2011/12) is based on the 2012/13 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2013	2012
	£000	£000
Dwellings	5,196	5,200 (equating to the value of MRA)
Garages	12	10
Plant and equipment	6	10
	5,214	5,220

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

There was no HRA dwellings impairment to account for in 2012/13 (£1,808k in 2011/12), and no revenue expenditure funded from capital under statute (£50k in 2011/12).

**CLWYD PENSION FUND ACCOUNTS**  
for the year ended 31<sup>st</sup> March 2013

**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 2012/13.

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 31<sup>st</sup> March 2013. Employee contributions are matched by employer's contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31<sup>st</sup> 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 organizations 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 31<sup>st</sup> March 2013 is shown below:-

	2013 No.	2012 No.
Contributors	14,920	14,519
Pensioners :		
Ex employees	8,386	8,071
Widows/dependants	1,488	1,482
Preserved benefits	7,539	7,386
Total membership	32,333	31,458

## CLWYD PENSION FUND ACCOUNTS

The scheduled bodies which contributed to the Fund during 2012/13 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, Compass Group UK, 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 2012/13 financial year and its position at year end as at 31<sup>st</sup> March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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 31<sup>st</sup> March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out are accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial 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

			2013		2012	
	Note	£000	£000	£000	£000	£000
<b>Contributions and Benefits</b>						
Contributions receivable :						
From employers	1	52,294			50,654	
From employees or members	1	<u>14,381</u>			<u>14,315</u>	
			66,675		64,969	
Transfers in		4,735			4,952	
Other income		<u>1,411</u>			<u>1,636</u>	
			<u>6,146</u>		<u>6,588</u>	
				72,821		71,557
Benefits payable :						
Pensions	1	44,717			41,563	
Lump sums (retirement)	1	11,136			10,844	
Lump sums (death grants)	1	<u>1,401</u>			<u>1,382</u>	
			57,254		53,789	
Payments to and on account of leavers :						
Refunds of contributions		8			12	
Transfers out (individual)		1,544			3,034	
Transfers out (bulk)	10	0			23,530	
Other		52			96	
Administrative and other expenses borne by the scheme	2	<u>1,047</u>			<u>1,244</u>	
			<u>2,651</u>		<u>27,916</u>	
				59,905		81,705
<b>NET ADDITIONS (WITHDRAWALS)</b>				12,916		(10,148)
<b>Returns on Investments</b>						
Investment income	4	2,397			3,326	
Change in market value of investments (Realised and Unrealised)	4	110,113			21,097	
Investment management expenses	2	<u>(5,294)</u>			<u>(5,267)</u>	
<b>NET RETURNS ON INVESTMENT</b>				<u>107,216</u>		<u>19,156</u>
<b>NET (DECREASE)/INCREASE IN THE FUND</b>				<u>120,132</u>		<u>9,008</u>
<b>OPENING NET ASSETS OF THE SCHEME</b>				<u>1,060,823</u>		<u>1,051,815</u>
<b>CLOSING NET ASSETS OF THE SCHEME</b>				<u>1,180,955</u>		<u>1,060,823</u>

## CLWYD PENSION FUND ACCOUNTS

	Note	2013 £000	2012 £000
<b>Net Assets Statement</b>			
<b>Investment Assets :</b>	<b>5</b>		
Managed fixed interest fund		175,148	170,075
Managed UK equity funds		122,222	104,624
Managed overseas equity funds		391,597	334,145
Managed multi strategy funds		120,380	118,080
Property funds		82,260	75,307
Infrastructure funds		23,907	23,414
Timberland / Agricultural funds		20,511	14,686
Commodity funds		34,588	36,879
Private equity funds		138,137	122,317
Hedge fund of funds		47,930	47,321
Leveraged loans		0	530
Opportunistic Funds		5,910	0
Other investment assets	<b>9</b>	0	3
Cash	<b>7</b>	17,331	36,476
<b>Investment Liabilities :</b>			
Other investment liabilities	<b>9</b>	0	0
<b>Current Assets :</b>			
Due within 1 year	<b>8</b>	3,845	3,703
Due over 1 year	<b>8</b>	0	200
<b>Current liabilities</b>	<b>8</b>	(2,811)	(26,937)
<b>NET ASSETS AT 31ST MARCH</b>		<b>1,180,955</b>	<b>1,060,823</b>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of pensionable employees. The total contributions received from employers during 2012/13 amounted to £52.294m (£50.654m in 2011/12).

This comprised an amount of £26.717m (£26.490m in 2011/12) relating to the common contribution rate average of 11.7% paid by all employers and £25.577m (£24.164m in 2011/12) 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
<b>Scheduled Bodies -</b>	<b>£000</b>	<b>£000</b>
Flintshire County Council	19,494	22,566
Wrexham County Borough Council	18,614	20,262
Denbighshire County Council	12,960	16,107
Fund apportionment with :		
Gwynedd and Powys County Councils	2,459	0
Colleges	1,836	4,423
Schools	107	77
Community Councils	166	222
Others - scheduled bodies	540	1,165
Others - admitted bodies	1,078	1,853
	<u>57,254</u>	<u>66,675</u>

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

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

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

	2013	2012
	£000	£000
<b>Administration Expenses</b>		
Employee Costs	630	567
Support Services	161	189
Supplies and Services	135	395
Audit Fees	35	35
Actuarial Fees	86	58
	<u>1,047</u>	<u>1,244</u>
<b>Investment Expenses</b>		
Fund Management Fees	5,187	5,155
Custody Fees	15	39
Performance Monitoring Fees	24	24
Consultancy Fees	68	49
	<u>5,294</u>	<u>5,267</u>
<b>Total Fees</b>	<u>6,341</u>	<u>6,511</u>

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 £5.3m during the year (£4.9m during 2011/12).

### 3. INVESTMENTS AND PERFORMANCE

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

The County Council uses the investment performance services of the WM Company. Their report for the financial year 2012/13 showed that the Fund achieved an overall return of +10.0% from its investments (+2.4% in 2011/12). This compares with the Fund's benchmark return of +9.2% for the year.

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

#### Overview

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

#### Transactions and Return on Investments

Details of the 2012/13 investment transactions and the net profit on sales of £8.680m (£7.907m in 2011/12) together with investment income of £2.397m (£3.326m in 2011/12) are set out below. The unrealised profit for 2012/13, as a result of the change in the market value of investments, amounted to £101.433m (£13.190m in 2011/12). Therefore the increase in market value of investments (realised and unrealised) is £110.113m (£21.097m in 2011/12).



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 2011/12 £000	Purchases & Take On £000	Sales & Take Off £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2012/13 £000	Investment Income £000
Fixed Interest Securities	170,075	0	10,000	2,382	12,691	175,148	0
UK Equities Passive	104,624	0	0	0	17,598	122,222	0
Overseas Equities Active	245,992	12,537	4,857	1,980	32,726	288,379	11
Overseas Equities Passive	88,152	0	0	0	15,066	103,218	0
Multi Strategy	118,080	123	0	0	2,177	120,380	0
Property	75,307	6,704	5,358	(2,816)	8,423	82,260	1,837
Infrastructure	23,414	5,086	7,979	2,510	876	23,907	250
Timber	14,686	4,761	170	0	1,234	20,511	0
Commodities	36,879	0	0	0	(2,291)	34,588	0
Private Equity	122,318	19,636	15,461	1,221	10,424	138,137	164
Opportunistic	0	5,782	0	0	128	5,910	11
Hedge Fund of Funds	47,321	0	409	40	978	47,930	0
Leveraged Loans	530	0	53	(1,880)	1,403	0	0
	<u>1,047,378</u>	<u>54,629</u>	<u>44,287</u>	<u>3,437</u>	<u>101,433</u>	<u>1,162,590</u>	<u>2,273</u>
Cash	36,476	0	0	0	0	17,331	0
Fees within Pooled Vehicles	0	0	0	5,300	0	0	0
Interest	0	0	0	0	0	0	124
Currency	0	0	0	(57)	0	0	0
	<u>36,476</u>	<u>0</u>	<u>0</u>	<u>5,243</u>	<u>0</u>	<u>17,331</u>	<u>124</u>
Total 2012/13	<u>1,083,854</u>	<u>54,629</u>	<u>44,287</u>	<u>8,680</u>	<u>101,433</u>	<u>1,179,921</u>	<u>2,397</u>
2011/12	<u>1,051,611</u>	<u>230,350</u>	<u>152,119</u>	<u>7,907</u>	<u>13,190</u>	<u>1,083,854</u>	<u>3,326</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2010/11	Purchases & Take On	Sales & Take Off	Realised Gain (Loss)	Unrealised Gain (Loss)	Market Value 2011/12	Investment Income
	£000	£000	£000	£000	£000	£000	£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
	<u>953,742</u>	<u>230,350</u>	<u>152,119</u>	<u>1,718</u>	<u>13,686</u>	<u>1,047,378</u>	<u>3,183</u>
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
	<u>97,869</u>	<u>0</u>	<u>0</u>	<u>6,189</u>	<u>(496)</u>	<u>36,476</u>	<u>143</u>
Total 2011/12	<u>1,051,611</u>	<u>230,350</u>	<u>152,119</u>	<u>7,907</u>	<u>13,190</u>	<u>1,083,854</u>	<u>3,326</u>
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>

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

The book cost of the investments as at 31<sup>st</sup> March 2013 is £950.142m (£936.363m in 2011/12). The market value of investments as at 31<sup>st</sup> March 2013 is £1,162.590m (£1,047.378m in 2011/12) which can be analysed as follows.

#### By Continent

The UK holdings as at 31<sup>st</sup> March 2013 account for 17% of total investments at market value:

	2013 £000	2012 £000
UK	203,154	188,638
Europe	142,201	123,678
Asia Pacific	119,172	102,693
North America	116,680	87,017
Emerging/ Frontier markets	91,714	73,290
Global Investments	489,669	472,062
	<u>1,162,590</u>	<u>1,047,378</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### By Fund Manager

	2013		2012	
	£000	%	£000	%
BlackRock	56,385	5	58,295	6
Wellington	117,468	10	110,168	11
Aberdeen	93,876	8	72,862	7
State Street (Transition Manager)	0	0	134	0
Pioneer	2,861	0	2,974	0
Liongate	21,358	2	21,467	2
SSARIS	23,711	2	22,880	2
Duet	48,826	4	47,227	5
BlueCrest	31,470	3	29,309	3
Investec	62,797	5	52,480	5
Stone Harbor	175,148	15	170,075	16
SSgA	225,440	19	192,776	18
Pyrford	32,525	3	30,476	3
Property	82,260	7	75,307	7
Infrastructure	23,907	2	23,414	2
Timber / Agriculture	20,511	2	14,686	1
Private Equity	138,137	12	122,318	12
Opportunistic	5,910	1		
Leveraged Loans	0	0	530	0
	<u>1,162,590</u>	<u>100</u>	<u>1,047,378</u>	<u>100</u>

### By Listed /Managed

	2013			2012		
	Listed Managed	Listed	Unlisted	Listed Managed	Listed	Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	175,148	0	0	170,075
UK Equities	122,222	0	0	104,624	0	0
Overseas Equities	328,800	0	62,797	281,531	134	52,480
Multi Strategy	120,380	0	0	118,080	0	0
Property	29,107	0	53,153	43,615	0	31,691
Infrastructure	0	4,764	19,143	0	4,287	19,127
Timber / Agriculture	0	0	20,511	0	0	14,686
Commodities	0	0	34,588	0	0	36,879
Private Equity	0	3,446	134,691	0	4,170	118,148
Hedge Fund of Funds	21,358	0	26,572	21,467	0	25,854
Opportunistic	0	0	5,910	0	0	0
Leveraged Loans	0	0	0	0	0	530
	<u>621,867</u>	<u>8,210</u>	<u>532,513</u>	<u>569,317</u>	<u>8,591</u>	<u>469,470</u>
			<u>1,162,590</u>			<u>1,047,378</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 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 31<sup>st</sup> March 2013 on the following bases.

- UK and overseas listed securities are valued within the respective pooled vehicles using the official bid prices quoted on the relevant stock exchange. Overseas holdings are converted to sterling at an exchange rate quoted at close of business on 31<sup>st</sup> March 2013.
- Unit trusts are valued at the bid market price.
- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31<sup>st</sup> March 2013. 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.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 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.

The following tables show the position of the Fund's assets at 31<sup>st</sup> March 2013 and 31<sup>st</sup> March 2012 based upon this hierarchy.

	Market Value 2012/13	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Fixed Interest Securities	175,148	70	175,078	0
UK Equities Passive	122,222	121,366	856	0
Overseas Equities Active	288,379	281,460	420	6,499
Overseas Equities Passive	103,218	102,495	723	0
Multi Strategy	120,380	64,504	55,876	0
Property (1)	82,260	0	0	82,260
Infrastructure (1)	23,907	4,764	0	19,143
Timber Agriculture (1)	20,511	0	0	20,511
Commodities	34,588	14,496	20,092	0
Private Equity (2)	138,137	3,446	0	134,691
Hedge Fund of Funds	47,930	0	43,997	3,933
Opportunistic Funds	5,910	0	0	5,910
	1,162,590	592,601	297,042	272,947
Cash	17,331	17,331	0	0
Total 2012/13	1,179,921	609,932	297,042	272,947

(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 Property/ Infrastructure/ Timber portfolios, although some are listed, the Fund does have substantial holdings in unquoted investments (£262.515m) compared to £227.798m in 2011/12. 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

In the period post closure and reporting of the accounts, further details will be received on the valuations of Property, Private Equity, Infrastructure, and Timber investments within the Fund. The table below shows the valuations reported in these accounts for the four investment categories alongside the final updated valuations provided (To be updated between draft and final versions).

	2013 Reported £000	2013 Updated £000
Property funds	82,260	
Infrastructure funds	23,907	
Timberland / Agricultural funds	20,511	
Opportunistic funds	5,910	
Private equity funds	138,137	

	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
	1,047,378	327,982	482,404	236,992
Cash	36,476	36,476	0	0
	1,083,854	364,458	482,404	236,992
Total 2011/12				



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 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](http://www.clwydpensionfund.org.uk)) under the "Governance and Investments" tab.

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.



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Credit Risk

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

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

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

The Fund believes it has managed its exposure to credit risk and has no experience of default or uncollectible deposits in the last three financial years. The Fund's cash holdings as at 31<sup>st</sup> March 2013 was £17.331m (£36.476m at 31<sup>st</sup> March 2012). This was held as follows:

	Rating	2013 £000	2012 £000
<b>Money Market Funds</b>			
BlackRock	AAA	478	476
Bank of New York Mellon	AAA	979	665
<b>Bank Deposit Accounts</b>			
National Westminster Bank PLC	AA	15,850	32,553
<b>Bank Current Accounts</b>			
National Westminster Bank PLC	AA	24	2,782
		17,331	36,476

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

- The Fund's bond portfolio is managed on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31<sup>st</sup> March 2013, the Fund's exposure to non-investment grade paper was £51.6 million or 29.5% of the fixed interest portfolio (33.2% at 31<sup>st</sup> March 2012).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.
- The Fund also has residual "side pocketed" holdings with one manager which are currently illiquid. Details of this holding is set out as follows :-

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Book Cost	Market Value
	£000	£000
Hedge Fund of Funds - Pioneer	2,234	2,861
<b>Total</b>	2,234	2,861

### 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.

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 31<sup>st</sup> March 2013 by liquidity profile.

	Market Value 2012/13	1 Month	2 - 3 Months	3 - 6 Months	6 - 12 Months	Closed - ended	Locked
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	175,148	175,148	0	0	0	0	0
UK Equities Passive	122,222	122,222	0	0	0	0	0
Overseas Equities Active	288,379	284,137	4,242	0	0	0	0
Overseas Equities Passive	103,218	103,218	0	0	0	0	0
Multi Strategy	120,380	120,380	0	0	0	0	0
Property	82,260	0	0	0	29,107	53,153	0
Infrastructure	23,907	4,764	0	0	0	19,143	0
Timber	20,511	0	0	0	0	20,511	0
Commodities	34,588	34,588	0	0	0	0	0
Private Equity	138,137	3,446	0	0	0	134,691	0
Hedge Fund of Funds	47,930	0	0	45,069	0	0	2,861
Opportunistic Funds	5,910	0	0	0	0	5,910	0
	1,162,590	847,903	4,242	45,069	29,107	233,408	2,861

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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”.

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 2013. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual “10-year life”, many are closer to maturity than implied by this broad designation.

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

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in 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<sup>st</sup> March 2013 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

	Manager	Market Value 2012/13 £000	Benchmark	Target (Gross)	Risk (<) %
Fixed Interest Securities	Stone Harbor	175,148	FT All Stocks	+1.5%	4.0
UK Equities–passive	SSgA	122,222	FTSE All Share	Match	0.5
Foreign equities–active	Investec	62,797	MSCI AC World NDR	+3.5%	10.0
	Aberdeen	85,042	MSCI AC Asia/P ex Japan	+3.0%	12.0
	Aberdeen	8,834	MSCI Frontier Markets	+3.0%	12.0
	Wellington	82,880	MSCI EM Free	+2.5%	8.0
	Duet	48,826	Absolute	+8-10%	3.0
Foreign equities–passive	SSgA	31,007	FTSE AWD Europe ex UK	Match	0.5
	SSgA	38,081	FTSE AWD North America	Match	0.5
	SSgA	34,130	FTSE AWD Japan	Match	0.5
Multistrategy funds	BlackRock	56,385	7 day LIBID	+15.0%	20.0
	BlueCrest	31,470	Absolute	+10-15%	6.0
	Pyrford	32,525	RPI	+5.0%	8.0
Hedge fund of funds	Liongate	21,358	Absolute	+8-10%	6.0
	SSARIS	23,711	Absolute	+8-10%	5.0
	Pioneer	2,861	Absolute	+8-10%	4.0
Commodity fund	Wellington	34,588	GCSI Equally Weighted	+1.5%	4.0
Property funds	Various	82,260	IPD Balanced PUTs	Exceed	
Infrastructure funds	Various	23,907	Absolute	+15.0%	
Timber /Agricultural funds	Various	20,511	Absolute	+15.0%	
Private equity funds	Various	138,137	Absolute	+15.0%	
Opportunistic funds	Various	5,910	Absolute	+15.0%	
		1,162,590			

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:

	Market Value 2013 £000	Managers No.	Funds No.	Properties / Companies Estimated No.
Real Assets	126,678	18	31	>280
Private Equity / Opportunistic	144,047	19	58	>4,000

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Other Price Risk

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

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

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

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	11.8%
UK Equity	14.2%
Oveseas Equity	12.7%
Global Fixed Income	4.9%
Alternatives	3.3%
Property	3.7%

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

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

Asset Type	Market Value 2012/13	Percentage Change %	Value on Increase £000	Value on Decrease £000
<b>Cash and cash equivalents</b>	17,331	0.0	17,331	17,331
<b>Investment portfolio assets:-</b>				
Global Equity inc UK	111,623	11.8	124,795	98,451
UK Equity	122,222	14.2	139,578	104,866
Overseas Equity	279,974	12.7	315,531	244,217
Global Fixed Income	175,148	4.9	183,730	166,566
Alternatives	391,363	3.3	404,278	378,448
Property	82,260	3.7	85,304	79,216
	<u>1,179,921</u>		<u>1,270,547</u>	<u>1,089,095</u>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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
<b>Investment portfolio assets:-</b>				
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>

### 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.

Asset Type	Carrying Value	Change in year in net assets available to pay benefits	
	2012/13	+50BPS	-50BPS
	£000	£000	£000
Cash and cash equivalents	1,457	7	(7)
Cash balances	15,874	79	(79)
	<u>17,331</u>	<u>86</u>	<u>(86)</u>

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>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Currency Risk

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

The following table summarises the Fund's currency exposure as at 31<sup>st</sup> March 2013 and as at the previous year end:

Currency Exposure - Asset Type	Market Value 2012/13	Market Value 2011/12
	£000	£000
Global Fixed Income	175,148	170,075
Overseas Equities Active	288,379	245,992
Overseas Equities Passive	103,218	88,152
Multi Strategy	120,380	118,080
Commodities	34,588	36,879
Hedge Funds	47,930	47,321
Property	39,755	31,691
Infrastructure	11,521	8,892
Timber / Agriculture	20,511	14,686
Opportunistic	5,910	0
Private Equity	112,096	96,971
	959,436	858,739

Following analysis of the historical data in consultation with the fund's Performance Measurers, WM Company, and analysis of the exposures to foreign currency for the year to 31<sup>st</sup> March 2013, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.1%. For the period to 31<sup>st</sup> March 2012, this was calculated to be 7.4%.

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:

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Currency Exposure - Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2012/13	%	£000	£000
Global Fixed Income	175,148	5.1	184,073	166,223
Overseas Equity - Active	288,379	5.1	303,074	273,684
Overseas Equity - Passive	103,218	5.1	108,478	97,958
Multistrategy	120,380	5.1	126,514	114,246
Hedge Funds of Funds	47,930	5.1	50,372	45,488
Commodities	34,588	5.1	36,351	32,825
Timber	20,511	5.1	21,556	19,466
Infrastructure	11,521	5.1	12,108	10,934
Property	39,755	5.1	41,781	37,729
Opportunistic	5,910	5.1	6,211	5,609
Private Equity	112,096	5.1	117,808	106,384
	<u>959,436</u>		<u>1,008,326</u>	<u>910,546</u>

Currency Exposure - Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2011/12	%	£000	£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>

### 8. OTHER INVESTMENTS

	2013		2012	
	£000	£000	£000	£000
Other Investment Assets :				
Income accrual	<u>0</u>		<u>3</u>	
		0		3
Other Investment Liabilities :				
Purchases of investments	<u>0</u>		<u>0</u>	
		0		0
Other Investment Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 9. DEBTORS/CREDITORS

	2013		2012	
	£000	£000	£000	£000
<b>Current Assets :</b>				
Contributions due - Employees	1,099		1,109	
Contributions due - Employers	2,105		2,100	
Added years	52		25	
H.M. Revenue and Customs	54		69	
Pension strain	251		342	
Administering authority	210		1	
Miscellaneous	74		57	
		3,845		3,703
<b>Assets over 1 year :</b>				
Pension strain	0		200	
		0		200
<b>Less Current Liabilities :</b>				
Lump sums	(2,051)		(1,628)	
Death grants	(131)		(333)	
Administering authority	(303)		(1,122)	
Added years	(55)		(86)	
Bulk Transfer Value Payable	0		(23,530)	
Miscellaneous	(271)		(238)	
		(2,811)		(26,937)
<b>Net Current Assets</b>	<b>1,034</b>		<b>(23,034)</b>	

#### Analysis of debtors

	2013		2012	
	£000	£000	£000	£000
Central Government Bodies	54		69	
Other Local Authorities	3,468		3,426	
NHS Bodies	0		0	
Public Corporations and Trading Funds	0		0	
Other Entities and Individuals	323		408	
	<b>3,845</b>		<b>3,903</b>	

#### Analysis of creditors

	2013		2012	
	£000	£000	£000	£000
Central Government Bodies	0		0	
Other Local Authorities	(331)		(24,702)	
NHS Bodies	0		0	
Public Corporations and Trading Funds	0		0	
Other Entities and Individuals	(2,480)		(2,235)	
	<b>(2,811)</b>		<b>(26,937)</b>	

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 10. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31<sup>st</sup> March 2013. 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.

Changes have been agreed to the Local Government Pension Scheme which will take effect from 1<sup>st</sup> April 2014. These changes will not impact the Statement of Accounts for 2012/13.

### 11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

(To be completed between draft and final versions)

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	£
Units purchased	No.
Units sold	No.
Market value as at 31 <sup>st</sup> March 2013	£
Market value as at 31 <sup>st</sup> March 2012	£ 3,824,312

### 12. RELATED PARTY TRANSACTIONS

#### Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31<sup>st</sup> March 2013, 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.

#### 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. Kerry Feather, the Head of Finance (Treasurer and Administrator to the Clwyd Pension Fund) has been identified as holding a key position in the financial management of 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 £791,039 (£802,768 in 2011/12).

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 £0.093m was owing to Flintshire in relation to creditors payments made on behalf of the fund and support service costs which were not available as at 31<sup>st</sup> March 2012. (£1.039m in 2011/12).

### 13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31<sup>st</sup> March 2013, the Fund has contractual commitments of £458.4m in private equity and property funds, of which £323.4m has been invested, leaving an outstanding commitment of £135.0m.

### 14. TRANSACTION COSTS

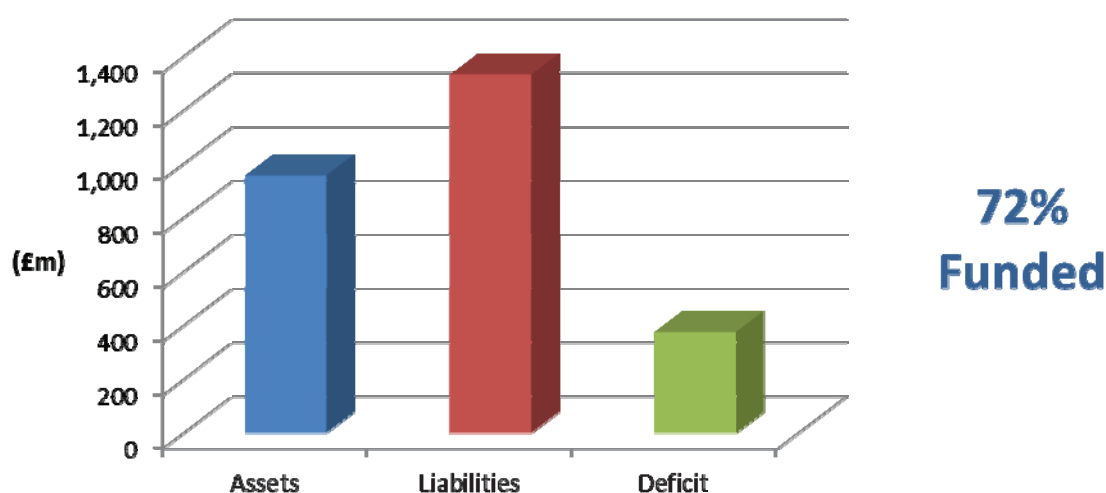
Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. They can be added 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

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:

	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 as at 31 March 2013 (the 31 March 2012 assumptions are included for comparison):

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	31 March 2012	31 March 2013
Rate of return on investments (discount rate)	4.9% per annum	4.2% per annum
Rate of pay increases	4.0% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.5% per annum	2.4% per annum

The demographic assumptions are the same as those used for funding purposes other than the allowance for future improvements in life expectancy, which has been updated taking into account the latest evidence on this issue. The updated allowance underlying the 31 March 2013 calculations is in line with the projections model published in November 2009 by the Continuous Mortality Investigation (CMI) with a long-term improvement rate of 1.25% p.a. The previous allowance as at 31 March 2012 used a long-term improvement rate of 1.0% p.a.

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2012 was estimated as £1,613 million. The effect of the changes in actuarial assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by c£204 million. Adding interest over the year increases the liabilities by a further c£79 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£5 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £1,901 million.

Paul Middleman  
 Fellow of the Institute and Faculty of Actuaries  
 Mercer Limited  
**May 2013**

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INSERT WHEN RECEIVED

# ANNUAL GOVERNANCE STATEMENT

for the year ended 31<sup>st</sup> March 2013

This statement has the following five sections:-

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

## 1. SCOPE OF RESPONSIBILITY

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

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

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

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

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

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Flintshire County Council for the year ended 31<sup>st</sup> March 2013 and up to the date of approval of the annual statement of accounts.



## ANNUAL GOVERNANCE STATEMENT

### 3. THE GOVERNANCE FRAMEWORK

#### a) Council Constitution

The Council's Constitution defines the roles of the Cabinet, Council, Audit Committee, Standards Committee, Overview & Scrutiny Committees and all other Committees. It also details the portfolios of each of the Cabinet members, the responsibility for functions including the delegation arrangements and various codes and protocols including the Members' Code of Conduct, the Officers' Code of Conduct, the Member/Officer Protocol and the Code of Corporate Governance.

#### b) Code of Corporate Governance

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

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

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

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

#### c) Council (Plan) Governance Framework

The final drafting and publication of the Council (Plan) Governance Framework was endorsed by the Council's Cabinet and County Council in August 2012. The framework is a family of co-related documents describing 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.

The framework is revised and updated annually.

#### d) Members

Flintshire County Council has 70 Councillors that represent 57 electoral divisions and are democratically elected normally every 4 years. The Council operates a Leader and Cabinet Executive which during the year to 31st March 2013 was made up of 8 members. Role descriptions have been approved for the Leader, Cabinet Members, Committee Chairs and ordinary Members. For the 2012/13 year there were 6 Overview & Scrutiny Committees supported by a team of officers.

## ANNUAL GOVERNANCE STATEMENT

These Committees were as follows:-

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

In addition the Council has the following Standing Committees:-

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

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

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

### e) **Officers**

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

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

The 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.

## ANNUAL GOVERNANCE STATEMENT

### f) Finance

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

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

### g) Flintshire Futures

The Council has adopted the Flintshire Futures Programme 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. Modernising Social Care
- Regional Collaboration e.g. School Improvement Service
- Local Collaboration e.g. energy management and carbon reduction

### h) Business Planning

The Council has an established and effective approach to **business planning**. The process is described and signposted within the Council (Plan) Governance Framework (see c) above).

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 (sub) priorities. These priorities are connected to the County's Vision and Priorities as determined by the Local Service Board.

## ANNUAL GOVERNANCE STATEMENT

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

- County Vision (Community Strategy) as set by the Local Service Board.
- Council Priorities as set by the County Council and supported by Directorate and corporate sub priorities.
- Council Improvement Targets – a set of performance indicators designated as those which require focused attention for improvement.
- Risk management – described in our Strategic Assessment of Risks and Challenges (SARC) document – a set of issues to which risks, objectives and actions for mitigation are described.
- 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).
- Findings of and Council responses to external regulation.
- Quarterly performance reporting at Head of Service level to Cabinet and Overview and Scrutiny – a monitoring report on progress on all the issues above.

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

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

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

The Council's strategic risk register is entitled the Strategic Assessment of Risks and Challenges (SARC). This 'live' document defines and details the priorities for change and improvement. It is embedded within our business planning processes.

- 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. It also identifies any change in level of risk status.

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)

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

## ANNUAL GOVERNANCE STATEMENT

The approach includes:

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

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

### **i) 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

### **j) 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 organisation's such as the Wales Audit Office (WAO) which has an independent statutory role.

### **k) Information Governance**

The Council's existing arrangements on information governance include the designation of an Information Governance Manager, a group of officers who meet on a monthly basis to give corporate advice on compliance with the Data Protection Act, corporate procedures in place for dealing with Data Protection, Freedom of Information, Environmental Information Regulations and Records Management. These procedures and guidance are available on the Council's Infonet.

### **l) Audit Committee**

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

- Reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority.
- Reviewing and scrutinizing the authority's financial affairs and reviewing the financial statements prepared by the authority.
- Overseeing the authority's internal/external audit arrangements.

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The above reflects the expanded role of the committee as a result of the Local Government (Wales) Measure 2011. The lay person appointed to the committee pursuant to that measure was subsequently appointed Vice Chair of the committee.

### **m) 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 and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. 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.

### **n) External Arrangements**

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.

### **o) Partnerships**

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

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

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

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



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The following strategic partnerships make up Flintshire in partnership:-

- Children & Young People's Partnership and 'Making a Positive Difference' Plan (2011 to 2014)
- Community Safety Partnership and Strategic Plan (2011 to 2014)
- Flintshire Housing Partnership
- Health, Social Care and Well-being Partnership and the Good Health, Good Care Strategy (2011 to 2014)
- 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.

### **p) Whistle-blowing**

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

### **q) Complaints**

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

### **r) Clwyd Pension Fund**

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. Since the 1 April 2006 the Local Government Pension Scheme Regulations have required a pension fund administering authority to prepare, publish and maintain a governance policy statement. This statement is published in the Annual Report which is available on the Clwyd Pension Fund website: [www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk).

## **4. REVIEW OF EFFECTIVENESS**

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

### **a) Council Constitution**

During the course of the year the Council Constitution has been kept under review and changes made to keep it up-to-date. There has also been the start of a programmed 3 year review of the entire Constitution pursuant to a decision of the Constitution Committee. The Constitution Committee also agreed that sessions should be held with Members and officers to raise awareness of the provisions in the Constitution and such briefing sessions have been held during the year and will continue in 2014.

## ANNUAL GOVERNANCE STATEMENT

### b) Code of Corporate Governance

Each year there is a review and update of the Code of Corporate Governance. This is coordinated by the Corporate Governance Officer Working Group. 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 20th November 2012 and then to the Audit Committee at its meeting on 12<sup>th</sup> December 2012. At both meetings the updated version was agreed and subsequently the Constitution amended to include this updated version.

The Corporate Governance Working Group this year amended the Corporate Governance self-assessment questionnaire. It has been produced to reflect feedback on its use for the first time last year. This included more time for Heads of Service to complete the questionnaire. Unfortunately several questionnaires were not returned by the deadline which led to delay in preparing the draft AGS for consideration by the Chief Executive, Monitoring Officer and Section 151 officer. In some areas Heads of Service have recognised the need to improve existing arrangements and produced action plans to address this. The Working Group decided that more needs to be done to make employees aware of the Officer Code of Conduct and the Finance Procedure Rules and is formulating proposals on this. The results of the questionnaire informed the preparation of this AGS.

### c) Council (Plan) Governance Framework

During the year it has been used as part of the management development programme for Managers at Institute of Leadership and Management (ILM) Levels 4 and 5 and received a favourable response as a comprehensive and user friendly resource. The annual review of the framework will be presented to both the Council's Cabinet and County Council meetings in June 2013.

### d) Members

Following the County Council elections in May 2012 an extensive induction programme was delivered which included both formal and informal briefings, arrangements for new members to have mentors, fact sheets on various topics and a Your Council event following the annual meeting on the 15<sup>th</sup> May 2012.

In addition each year there is a Member development programme and during 2012/13 the following formal training was provided and available to all members:-

- Various planning topics
- Member Code of Conduct
- Overview & Scrutiny
- ICT Facilities & Emergency Planning
- Safeguarding & Protecting Vulnerable Adults
- Audit Committee
- Equality & Welsh Language
- Data Protection
- Corporate Health & Safety
- Dealing with the media
- Treasury Management



## ANNUAL GOVERNANCE STATEMENT

### e) 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.

### f) Finance

The Council's revenue budget and capital programme for 2012/13 were agreed by the Council. The budget is aimed at protecting 'front line' public services and re-investment to meet council priorities despite a reduced level of funding.

In order to achieve a balanced budget the Council:

- Reviewed previous year decisions for pressures and efficiencies and revised them to reflect current need.
- Took a targeted approach to inflation
- Reviewed and challenged the in-year position
- Reviewed Reserves and Balances
- Progressed the Flintshire Futures work streams

The final outturn for the year will be reported in July. Close budget management overseen by the Corporate Management Team indicates a likely in year budget underspend of £4m, which exceeds the efficiency targets within the budget. On capital, the introduction of more robust monitoring arrangements has been successful in achieving over 85% of planned spend in year.

The financial future facing the Council continues to be very uncertain and challenging. The next stage of the development of the Medium Term Financial Plan will be published in June alongside the new Improvement Plan. This provides greater opportunity to deepen the links between service and financial planning and provide a more robust framework for future reporting of the effectiveness.

The Finance Function Review was completed in the year and recruitment in the year has ensured that the finance service is now fully resourced and fit for purpose.

### g) 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 2013/14 and have assisted in achieving an in-year under-spend for 2012/13.

A significant amount of work has been undertaken by the newly formed Flintshire Futures Programme Board to re-focus the organisational change programme. High level targets and delivery plans for the five workstreams of the Corporate Change sub programme i.e. Assets, Customer, Finance, Procurement and Workforce have been set. These efficiencies will contribute towards 'bridging the gap' in annual Council Fund revenue budgets for 2013-2018 as part of the Medium Term Financial Strategy and Plan. This work will be expanded with a more challenging programme of organisational change and reform under development.

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### h) Business Planning

The Council approved its first Improvement Plan in June 2011. This Plan built on the Administration Priorities established in 2010 and identified a set of ten (primary) Improvement Priorities supported by more detailed secondary Directorate priorities. The Improvement Plan format is under review for 2013-14.

The Improvement Plan has been monitored in the following ways:

- Quarterly performance reports for each Head of Service summarise performance against progress and outcome. These are presented to Cabinet and relevant Overview and Scrutiny Committees
- Cabinet receives a report on all the Improvement Priorities twice yearly
- Annual achievement against each of the ten Improvement Priorities is summarised in the Council's Annual Performance Report (APR) which is presented to both Cabinet and County Council.

The Council's **strategic risks** have been reported through the Strategic Assessment of Risks and Challenges (SARC) and have been monitored and reviewed as part of the Quarterly Performance reports quarterly basis and published on the Council's Infonet twice yearly.

In addition the SARC is reviewed regularly and at least twice yearly to ensure that emerging risks are captured and assurance of risks and mitigating actions is achieved. This is reported to the Council's Cabinet and Audit Committee.

Part of the Council's approach to risk management includes its **business continuity arrangements**. As part of regular testing of plans, an exercise to assess performance and resilience of the Corporate Business Continuity Plan was held in November 2012.

The results show that the Strategic Business Response Team coped well with a challenging scenario having shown:

- A clear understanding of the purpose and value of having a defined Corporate Business Continuity Plan
- An understanding of the potential consequences of an incident and how to deal with them

The Mission Critical Business Continuity Plans were invoked during the severe weather experienced during March 2013. A critical analysis of how these plans were utilised and services delivered has been undertaken. Recommendations and lessons learnt are being used to update and refresh the plans accordingly.

### i) Corporate Strategies

All Corporate Strategies are reviewed periodically; key ones (Finance, ICT, and People) annually. Their review takes into account mid and longer term planning considerations and they have been regularly reported to Cabinet and Corporate Resources Overview and Scrutiny in quarterly performance reports.

### j) Regulation and Assurance

During the year the WAO conducted a study of the corporate governance arrangements in all 22 County Councils. Feedback on Flintshire's arrangements was positive.

### k) Information Governance

During the year:-

- There was an extensive programme of Data Protection training

## ANNUAL GOVERNANCE STATEMENT

- Over 1300 requests of information under the Freedom of Information Act or Environmental Information Regulations were dealt with
- Quarterly performance reports on dealing with such requests were made to Overview & Scrutiny Committee and the statistical information was published on the Council's website.

### **l) Audit Committee**

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

The committee received specific training after the May elections to enable the members to fulfil their role. Members completed a self assessment against CIPFA Toolkit for Local Authority Audit Committees in late 2012. 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 Audit Committee will be maintained in 2013/14.

### **m) 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 also undertake an annual review of the Council's Internal Audit service against the CIPFA Code of Practice for Internal Audit in Local Government. Although this evaluation is not carried out to provide assurance to FCC about the internal audit function, in their latest review they concluded that internal audit complied with nine of the eleven standards and partially complied with the other two.

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.

### **n) External Arrangements**

All formal reports are presented to the Cabinet and Audit Committee and considered by the various Overview & Scrutiny Committees as appropriate. Some reports such as the annual improvement report are presented to the full Council. In February 2013 a briefing meeting was held between Audit Committee members, Chairs & Vice Chairs Overview & Scrutiny Committees and relevant officers leading to a better understanding of their respective roles when considering such reports.

### **o) 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.

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

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

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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.

A review of the North Wales Partnerships in 2011 resulted in a series of changes which have continued during 2012/13:-

- Community Safety Partnership: Flintshire's Community Safety Partnership now operates through the Flintshire Local Service Board with strategic functions being discharged at a regional level through the Safer Communities Board

### p) Whistle-blowing

A small number of staff members have used the policy during 2012/13 to raise concerns, which shows that the policy is known. All were treated sensitively and correctly, with the allegation being investigated whilst protecting the confidentiality of the whistleblower.

### q) Complaints

In April 2012 the Council adopted a new Compliments, Concerns and Complaints Policy in accordance with the Welsh Government's all Wales Model for complaints handling in the public sector. During 12/13 there has been a significant improvement in performance relating to response times for initial complaints and it is anticipated that this will continue into the next year. The number of complaints for the first half of the year were high owing to the changes to the major service and operational changes in the Streetscene set of services, however, for the remainder of the year there was a significant reduction as the new service settled. A new structure within Customer Services has been implemented with a focus on improved monitoring of complaints and performance reporting. Working in partnership with Deeside College, an accredited complaints training workshop will be developed and implemented to further strengthen the council's complaints handling procedure across the organisation.

### r) Clwyd Pension Fund

The Annual Report of the Clwyd Pension Fund includes the Fund's Governance Compliance Statement and a review of its effectiveness by the Independent Advisor/Consultant. The annual report includes details of attendance by Members at Panel Meetings and the training they have received during the year. In 2011/12, the Fund adopted the CIPFA Code of Practice on knowledge and skills on Pension Finance for Members and Officers. The training continued in 2012/13 to satisfy the requirements of this Code of Practice.

## 5. SIGNIFICANT GOVERNANCE ISSUES

### Single Status

The complex Single Status project has been subject to unavoidable delay. A provisional Single Status Agreement should be achieved in 2013. The revised project governance arrangements of a Single Status Project Board (comprising Elected Members, Officers and Trade Unions) and an Officer Executive Group have proved to be effective in project direction, making key decisions and managing the risks of the project.

### Medium Term Financial Strategy and Medium Term Financial Plan

Progress in developing the Council's medium term financial planning continues with the planning period extended to five years and incorporating all major planned corporate and service developments in line with Council priorities. The medium term financial plan is a living document which needs to be updated on an ongoing basis to take account of latest forecasts of funding, costs and efficiency measures.

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The latest revision of the MTFP was published at the end of June alongside the Improvement Plan for 2013/14. The report identified a potential funding gap over the five years to 2018/19 and that this gap was likely to increase with the inclusion of the effects of revised funding forecasts from the UK Treasury and Welsh Government and the inclusion of the financial effects of new improvement priorities. A second revision will be published by October which will update forecasts and include details of the organisational re-design programme to modernise the organisation and secure major efficiencies in costs and overheads.

### Housing

Tenants were balloted in 2012, 12% voted yes to a transfer option and 88% of tenants voted no, opting to remain with the Council as their landlord. At meetings of the Cabinet and County Council in March 2012 the outcome of the ballot was accepted with a decision to engage with the Welsh Government (WG) over how to bridge the funding gap to achieve the Welsh Government policy on meeting the Welsh Housing Quality Standard (WHQS) within an acceptable timescale.

Significant work has been underway over the last 12 months to review assumptions in the 30 year business plan. This work has included the following:

- Engaging fully with the WG WHQS Ministerial task force
- Bench marking with other local authorities and a stock transfer Registered Social Landlord (RSL) and careful adjustment of business plan assumptions.
- Delivering further revenue efficiencies in the HRA to maximise revenue contributions to the Capital budget
- Ensuring value for money through works procurement and works delivery
- Examining all options to maximise revenue within the HRA including rents

The revised Housing Business Plan has brought forward the date for expected achievement to 2022 with an option to achieve the Welsh Government target date of 2020 using prudential borrowing.

### Future Uncertainties

A significant governance issue is the impact of collaboration and the complexity of regional governance arrangements and the uncertainty of planning for the future with major reviews underway, notably the Hill and the Public Services Commission reviews.

### Strategic Assessment of Risks and Challenges (SARC)

High Red Risks from the SARC are:-

#### CL07 Relationship with Local Health Board & Public & Primary Health

This risk remains high due to the significance to the people of Flintshire of the BCUHB changes proposed to community health services. The predictive “green” date is red due to the complex decision making processes within BCUHB which do not lend themselves to joint working for shared outcomes.

#### CD08 Connah’s Quay, Shotton & Deeside Housing Renewal Area

The housing renewal service continues to prepare for the delivery of Phase 2 of the group repair scheme. The phasing of the work is being reviewed in light of reductions to both the specific capital grant and the Council’s match funding. The expectation is that the scheme will now be delivered over the period 2013/15, as opposed to being completed within 2013/14, as previously proposed.

## ANNUAL GOVERNANCE STATEMENT

### CD10a Leisure – Revenue Funding

Leisure Services ended 2012/13 with an in-year deficit of £1,054k. Work has been commissioned by Cabinet and Corporate Resources Overview and Scrutiny Committee which is ongoing to address the deficit; focusing on income maximisation, the control of employee and other operating costs and asset management.

### CD20 School Buildings/School Modernisation

Significant backlogs of repair and maintenance will be a feature for the foreseeable future. Pressure on the repair and maintenance budget will increase with the reduction in Council spending. Actions to mitigate the backlog include the reduction whenever possible of the capital asset base and the upgrading or replacement of old and deteriorating buildings. Consultation on the progress of the 21<sup>st</sup> Century Schools Programme has been completed for the areas of Holywell, Connah's Quay, Queensferry and Buckley. The major investment of £64.2m in the Deeside and Holywell areas will reduce the overall backlog. Closure of a small rural school has also contributed to the reduction of the backlog. Future rationalisation will also need to be used in order to further reduce backlogs.

### CD38 Welfare Reform

A long term and proactive Welfare Reform Strategy has been developed to help and support households in Flintshire affected by the reforms. A Welfare Reform Board has been established which is chaired by the Leader of the Council. The Council has recognised the wide ranging impacts of Welfare Reform and has adopted a multi disciplinary approach. The Heads of Housing and Finance co-lead the welfare reform programme across council services. Members across the council have and continue to be actively engaged in the potential impacts for individuals and the council through scrutiny and in dedicated workshops.

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:**               **WEDNESDAY, 17 JULY 2013**

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

**SUBJECT:**           **ANNUAL GOVERNANCE STATEMENT**

### **1.00 PURPOSE OF REPORT**

1.01 For the committee to consider and approve the draft Annual Governance Statement (AGS).

### **2.00 BACKGROUND**

2.01 For each financial year the Council is required to produce an AGS as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and it also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010. The Chartered Institute of Public Finance & Accountancy (CIPFA) have produced a detailed guidance note on the preparation and contents of an AGS.

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

2.03 The preparation of the draft AGS has been informed by a corporate governance self-assessment undertaken by each of the Council's Heads of Service for their service area. A corporate governance questionnaire was prepared by the working group based on the CIPFA guidance note. The responses received to this self assessment were challenged by the Corporate Governance Officer Working Group where, for example, it did not provide adequate supporting information for the assessment given.

2.03 The draft AGS was then prepared in compliance with "Delivering Good Governance in Local Government: A Framework" published jointly by CIPFA and the Society of Local Authority Chief Executives

(SOLACE). It was then submitted to the Chief Executive, Monitoring Officer and Section 151 officer for their observations. The version attached to the end of the Statement of Accounts (previous agenda item) incorporates their observations. The final version after approval by the committee will be submitted to the Chief Executive and the Council Leader for signing.

2.04 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”.

2.05 In future years, there will be a new procedure for creating the AGS that will give a greater role to Members of the Audit Committee.

### **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 There was 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.

3.03 Members are requested to consider:-

1. Whether the statement accurately reflects the governance framework in place in the authority.
2. Whether they are satisfied with the overall review of effectiveness.
3. Whether they agree that the significant governance issues facing the authority are as described in the statement.
4. Any amendments that should be made.

### **4.00 RECOMMENDATIONS**

4.01 For the committee to amend as appropriate and approve the AGS attached to the Statement of Accounts.

### **5.00 FINANCIAL IMPLICATIONS**

5.01 None as a result of this report.



**6.00 ANTI POVERTY IMPACT**

6.01 None as a result of this report.

**7.00 ENVIRONMENTAL IMPACT**

7.01 None as a result of this report.

**8.00 EQUALITIES IMPACT**

8.01 None as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 With appropriate senior officers.

**11.00 CONSULTATION UNDERTAKEN**

11.01 The preparation of the draft AGS involved all Heads of Service and particularly with the Chief Executive, the Monitoring Officer and the Section 151 Officer. There was an informal briefing for members of the Audit Committee held on the 3 July 2013.

**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](mailto: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
Sue Ridings	Strategy Accountant
David Webster	Internal Audit Manager

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**               **17 JULY 2013**

**REPORT BY:**       **HEAD OF FINANCE**

**SUBJECT:**           **SUPPLEMENTARY FINANCIAL INFORMATION TO**  
**DRAFT STATEMENT OF ACCOUNTS 2012/13**

### **1.00 PURPOSE OF REPORT**

- 1.01 To provide Members with supplementary financial information to accompany the Draft Statement of Accounts 2012/13 as requested in the notice of motion approved by Flintshire County Council on 29<sup>th</sup> January 2013.

### **2.00 BACKGROUND**

- 2.01 Flintshire County Council approved the following notice of motion on 29<sup>th</sup> January 2013:

*In the interests of openness and transparency, this Motion calls for the Council to publish a separate supplementary report to coincide with and accompany the presentation to Council of the Annual Statement of Accounts.*

*This supplementary report to contain, in the same style and presentation as the existing 'Senior Employee Emoluments – Salary over £150,000' and 'Salary over £60,000 per year', the same financial information for ALL council employees, consultants and 'non-permanent posts' with a salary over £60,000 per year who are NOT listed within the existing framework of the Annual Statement of Accounts.*

*In instances where those employees are in post for less than the financial year, then both their actual salary and equivalent annualised salary are to be shown.*

This report contains the information requested above.

### **3.00 CONSIDERATIONS**

3.01 The information requested by the notice of motion is shown in Appendix 1 to this report. For clarity the information has been split into 3 categories described in paragraphs 3.02 – 3.04 below:

- Table 1 – Council Employees
- Table 2 – Posts covered by interim or temporary arrangements
- Table 3 – Consultants and Non-Permanent Posts

3.02 Table 1 contains information for council employees only. For the purpose of this report, council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.

As the notice of motion requests, the detail of any council employee already included in the 'Senior Employee Emoluments' note in the Draft Statement of Accounts 2012/13 has not been included.

3.03 For a variety of different service related reasons during 2012/13, it was necessary to have interim or temporary arrangements in place to cover some posts. Ordinarily the Council would have employed a permanent member of staff to these roles. The Council has procured the services of individuals to fulfil the requirements of the post through a contract with another organisation. The Council paid the organisation, and it is that organisation that employed and paid a salary to the individual. Table 2 shows the amounts paid to those organisations for such arrangements in 2012/13. Please note these amounts DO NOT reflect the individuals' salaries.

3.04 Table 3 contains information for consultants and non-permanent posts.

It is important that Members note that actual costs incurred by the Council in 2012/13 on consultants and non-permanent posts are in bold in the third column in table 3.

The fourth column, theoretical annual costs, has been supplied to provide an equivalent annualised salary as requested by the notice of motion. Figures have been calculated by taking the daily (or hourly costs in some cases) and grossing up assuming a 37 hour standard week and that 48 weeks per year are worked. As is clear from the difference between both columns, the majority were in post for significantly less than a year.

- 3.05 Flintshire County Council leads on 2 collaborative projects governed by joint committees of elected members of the partner Local Authorities; the North Wales Regional Waste Treatment Project and TAITH (regional transport consortia). Members are advised that the information supplied in appendix 1 does not include the costs of any individual working for a joint committee, given that the expenditure has been incurred by the joint committee and not Flintshire. Joint committees publish their own separate accounts.

**4.00 RECOMMENDATIONS**

- 4.01 Members note the contents of this report.

**5.00 FINANCIAL IMPLICATIONS**

- 5.01 None as the report is retrospective.

**6.00 ANTI POVERTY IMPACT**

- 6.01 None.

**7.00 ENVIRONMENTAL IMPACT**

- 7.01 None.

**8.00 EQUALITIES IMPACT**

- 8.01 None.

**9.00 PERSONNEL IMPLICATIONS**

- 9.01 None.

**10.00 CONSULTATION REQUIRED**

- 10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

- 11.01 None.

**12.00 APPENDICES**

Appendix 1 – Supplementary financial information to draft Statement of Accounts 2012/13

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

Various final accounts working papers

**Contact Officer:** Liz Thomas  
**Telephone:** 01352 702289  
**Email:** [liz.thomas@flintshire.gov.uk](mailto:liz.thomas@flintshire.gov.uk)



## SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2012/13

TABLE 1 - COUNCIL EMPLOYEES

Post Title	Note	Pensionable Pay £	Expense allowances £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £	Annualised Pay (where applicable) £
Head of Schools' Services		81,450	0	81,450	18,326	99,776	
Head of Culture and Leisure		66,593	0	66,593	14,983	81,576	
Head of Development and Resources		71,715	0	71,715	16,136	87,851	
Principal Learning Advisor - Professional Development		61,228	0	61,228	8,633	69,861	
Principal Learning Advisor - Primary		45,586	0	45,586	10,257	55,843	60,781
Head of Adult Services	1	66,355	0	66,355	14,930	81,285	
Head of Children Services		65,900	0	65,900	14,828	80,728	
Head of Development and Resources	2	57,256	0	57,256	12,883	70,139	71,715
Head of Housing	3	80,679	0	80,679	18,009	98,688	
Head of Regeneration		71,715	0	71,715	16,136	87,851	
Head of Assets and Transportation		71,715	0	71,715	16,136	87,851	
Head of Planning	4	76,325	0	76,325	17,173	93,498	
Head of Streetscene		69,154	0	69,154	15,560	84,714	
Principal Accountant (Waste)		67,199	0	67,199	15,120	82,319	

**Note 1:** 2 different post holders during 2012/13

**Note 2:** Post removed from structure in January 2013

**Note 3:** Pensionable pay includes remuneration relating to additional responsibilities (Flintshire Futures).

**Note 4:** Pensionable pay includes remuneration relating to additional management responsibilities.

TABLE 2 - POSTS COVERED BY INTERIM / TEMPORARY ARRANGEMENTS / CONTRACT

Post Title	Note	Cost £	Annualised Cost (where applicable) £
Internal Audit Manager		82,915	
Interim Revenues and Benefits Manager		68,587	85,734
Interim Benefits Manager		112,365	140,456
Interim Head of Procurement		17,287	84,000
Interim Facilities Manager		104,000	

**Please note:** Payments shown are made to the organisations employing these individuals. These payments DO NOT reflect the salaries those individuals have been paid by their respective organisations.

## SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2012/13

TABLE 3 - CONSULTANTS AND NON-PERMANENT POSTS 2012/13

Directorate	Description	Actual Cost Incurred £	Theoretical Annual Costs £
Lifelong Learning	Out of County Review	63,064	156,000
Lifelong Learning	Supervision of school based counsellors	385	65,126
Lifelong Learning	Supervision of school based counsellors	320	71,040
Lifelong Learning	Supervision of school based counsellors	770	65,126
Lifelong Learning	Supervision of school based counsellors	180	71,040
Lifelong Learning	Supervision of school based counsellors	180	71,040
Lifelong Learning	Professional Advisor - Applied Behavioural Analysis (children with Autism)	24,705	124,320
Lifelong Learning	Speech & Language Therapist	400	88,800
Lifelong Learning	Transforming Transport review facilitator	15,533	90,000
Lifelong Learning	PE and school sport training scheme	6,710	84,000
Lifelong Learning	Review of school transport function	10,720	120,000
Lifelong Learning	Performance management of schools	2,100	84,000
Lifelong Learning	Headteacher reviews	1,750	84,000
Corporate Services - Finance	School Formula Review	39,331	62,160
Corporate Services - Finance	Corporate Finance Review	29,555	102,000
Corporate Services - HR & OD	Project Manager Single Status	107,531	107,531
Corporate Services - HR & OD	Single Status Project Consultant	17,795	72,000
Corporate Services - HR & OD	Single Status Project Consultant	7,960	72,000
Corporate Services - HR & OD	Job Evaluation Analyst	45,055	72,000
Corporate Services - HR & OD	Job Evaluation Analyst	32,620	72,000
Corporate Services - HR & OD	Doctor	42,750	228,000
Corporate Services - HR & OD	Occupational Health Service	7,700	120,000
Corporate Services - HR & OD	Equal Pay Strategy - Support	4,227	170,136
Corporate Services - HR & OD	Pay Modeller Consultancy	13,614	150,000
Corporate Services - HR & OD	Counselling and advice	13,860	86,880
Corporate Services - HR & OD	HRMIS Project Consultant	1,526	156,000
Corporate Services - All	Service Review Project Management and Support	49,800	96,000
Corporate Services - ICT & CS	Masterpiece to Proactis General Ledger Interface	550	132,000
Corporate Services - ICT & CS	P2P Project Management	94,167	94,167
Corporate Services - ICT & CS	eSourcing Project Management	5,896	73,200
Community Services	Capital Works Manager	13,164	62,232
Community Services	Youth homelessness	1,192	120,000
Community Services	Supporting Flintshire Local Authority to increase housing delivery	2,423	180,000
Community Services	Occupational Therapist	2,876	56,832
Community Services	Independent Reviewing Officer - Children's Services	938	72,000
Community Services	Service Development Officer (Independent Reviewing Team)	11,484	204,000
Community Services	Employee Mentor	12,084	120,000
Community Services	Practice Teacher Assessor	2,500	120,000
Community Services	Complaints investigation	2,248	53,280
Community Services	Child care reviews	3,933	88,800
Community Services	Mental health assessment	371	41,609
Community Services	Children safeguarding development work	4,735	60,000
Community Services	Complaints investigation	722	53,280
Community Services	Service Development Officer (Looked After Children)	4,420	115,440
Community Services	Supported Living unit costing contract	10,531	108,000
Community Services	Children's Review Facilitator	3,659	88,800
Community Services	Corporate parenting	2,678	84,000
Community Services	Kinship Carer Assessment	6,852	60,000
Community Services	Practice Placement Assessor	4,953	53,280
Community Services	Looked After Children Reviews	1,433	71,040
Community Services	Corporate parenting	1,050	84,000
Community Services	Commercial Management	6,600	28,800
Community Services	Flint Regeneration	750	180,000
Community Services	Job Evaluation - Transformation of Social Services	22,000	108,000

Please note: Payments shown are made to the organisations employing these individuals. These payments DO NOT reflect the salaries those individuals have been paid by their respective organisations.

## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**                 **WEDNESDAY, 17 JULY 2013**

**REPORT BY:**         **HEAD OF FINANCE**

**SUBJECT:**            **FINANCIAL PROCEDURE RULES**

### **1.00 PURPOSE OF REPORT**

- 1.01 To provide Audit Committee with the proposed updated Financial Procedure Rules (FPR's) as detailed in Appendix A.
- 2.01 To seek a recommendation to the next available County Council scheduled for 23<sup>rd</sup> July 2013.

### **2.00 BACKGROUND**

- 2.01 Section 151 of the Local Government Act 1972 and the Accounts and Audit (Wales) Regulations require the Council to make arrangements for the proper administration of its financial affairs.
- 2.02 On 29<sup>th</sup> June 2011 the Council approved and adopted the current FPR's.
- 2.03 The FPR's state that: 'The Chief Finance Officer is the Officer responsible for the interpretation of these Procedure Rules, responsible for ensuring that they remain appropriate to the Council's activities. An annual review will take place and each individual rule will be reviewed at least every two years. The outcome of each review will be reported to Council, along with any recommendations for changes. Should there be any urgent changes required; these will be recommended to Council between annual reviews.'
- 2.04 This report details the recommended changes following the fifth review. A review was due in 2012; this did not take place due to delays in the implementation of the Finance Function Review.
- 2.05 The proposed changes have been prepared in consultation with the Corporate Finance Management Team, Finance Officers, Internal Audit Officers, Corporate Services Officers and Head of Legal and Democratic Services.

### **3.00 CHANGES TO EXISTING RULES**

#### **3.01 General**

The revised regulations reflect the following issues which have arisen since the last review:

- (a) There are amendments to wording throughout the report such as replacing Executive with Cabinet and updating job titles to update the document to reflect the current organisational structure and constitution.
- (b) Issues arising following internal audit work.
- (c) The introduction of the Council's Purchase to Pay system and revised Contract Procedure Rules.
- (d) The Strengthening of budget management arrangements in relation to accountability, forecasting and reporting.
- (e) Updated arrangements in relation to the Council's approach to risk management.
- (f) A Glossary of Terms has been added which covers the technical terms used within the document.

3.02 As reported in the Annual Corporate Governance Statement (identified through the Self Assessment process by each Director) briefing sessions and awareness raising for staff will commence in October 2013.

Once approved the updated FPR's will be published on the Infonet.

The review is a two stage process. The first part of the review has been to update all FPR's to reflect the general issues above and FPR's 2,3,4, 10 and 19 have been considered in greater depth as detailed in 3.03 to 3.07 below.

The second stage will involve an in depth review of the following FPR's:

- FPR 7 – Treatment of Year End Balances
- FPR 16 – Trading Accounts
- FPR 21 – External Funding
- FPR 22 – Value for Money

In addition a new FPR is required on Capital Funding to reflect the ongoing work in relation to the capital strategy.

This work will be completed for approval by Council in September 2014.

It is also recognised that some FPR's are worded as operational procedures and there is lack of consistency in the style of FPR's. A future review will look at ways of modernising the document.

### 3.03 **FPR 2 – Financial Planning**

The Financial Procedure Rule has been updated to include reference to the Medium Term Financial Strategy and Medium Term Financial Plan in the Council's budget setting process.

The role of the Director of Environment has been reflected in the capital programme.

### 3.04 **FPR 3 – Budget Management (Revenue & Capital)**

This rule has been substantially rewritten to emphasise that Heads of Service are accountable for monitoring and controlling income and expenditure against the budget heads approved in the annual budget, and clarifies the use of budget action plans.

The changes in Corporate Finance following the Finance Function Review with regard to Directorate based Finance Staff are also reflected.

The changes also outline the responsibilities of the Corporate Management Team; the Council's more modern and corporate approach to budget monitoring and associated risks with the removal of ring fenced budgets.

### 3.05 **FPR 4 – Budget Virements**

The FPR has been reviewed to provide clarification of what constitutes a budget a budget virement through the use of examples to illustrate.

### 3.06 **FPR 10 – Risk Management, Business Continuity and Insurance**

The FPR has been revised to reflect the current practice in managing risk and to include the responsibility for reviewing business continuity planning.

### 3.07 **FPR 19 – Procurement**

This FPR has been reviewed by the Head of Procurement to reflect the introduction of the P2P system and revised Contract Procedure Rules.

#### **4.00 RECOMMENDATIONS**

4.01 That Audit Committee approve the updated Financial Procedure Rules and recommend they are submitted to Council.

#### **5.00 FINANCIAL IMPLICATIONS**

5.01 The implementation of these rules ensures robust, consistent financial processes across the Authority.

#### **6.00 ANTI POVERTY IMPACT**

6.01 None directly as a result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

7.01 None directly as a result of this report.

#### **8.00 EQUALITIES IMPACT**

8.01 None directly as a result of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

#### **10.00 CONSULTATION REQUIRED**

10.00 All Directorates and Corporate Management Team.

#### **11.00 CONSULTATION UNDERTAKEN**

11.01 The proposed changes have been prepared in consultation with the Corporate Finance Management Team, Finance Officers, Internal Audit and Head of Legal and Democratic Services. A draft was submitted for approval to Corporate Management Team in June 2013.

#### **12.00 APPENDICES**

12.01 Appendix A – Copy of the updated Financial Procedure Rules.  
Appendix B – Glossary of Financial Terms.

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

Flintshire County Council – Constitution  
Flintshire County Council – Financial Procedure Rules

**Contact Officer:** Liz Thomas  
**Telephone:** 01352 702289  
**Email:** [liz.thomas@flintshire.gov.uk](mailto:liz.thomas@flintshire.gov.uk)

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**FINANCIAL PROCEDURE RULES (FPRs)**

**I N D E X**

	Status of Financial Procedure Rules
FPR 1	Financial Management
FPR 2	Financial Planning
FPR 3	Budget Management (Revenue and Capital)
FPR 4	Budget Virements
FPR 5	Additional Budget Allocations (Revenue and Capital)
FPR 6	Financial Implications of Reports to Members
FPR 7	Treatment of Year End Balances
FPR 8	Accounting Policies, Procedures and Systems
FPR 9	Income and Expenditure
FPR 10	Risk Management and Insurance
FPR 11	Internal Control, Including Audit Requirements
FPR 12	Security of Assets
FPR 13	Imprest Accounts
FPR 14	Treasury Management, Banking, Trust Funds and Funds held on behalf of Third Parties.
FPR 15	Taxation
FPR 16	Trading Accounts
FPR 17	Staffing
FPR 18	Payments to Employees and Members
FPR 19	Procurement
FPR 20	Partnerships
FPR 21	External Funding
FPR 22	Value for Money
FPR 23	Other Funds
FPR 24	Protection of Clients Assets

# Status of Financial Procedure Rules

1. These Financial Procedure Rules are part of the Council's Rules of Procedure. They must be read in conjunction with the rest of the Constitution, of which they form part, including the Contract Procedure Rules.
2. They are made in accordance with the provisions of both Section 151 of the Local Government Act 1972 and the Accounts and Audit (Wales) Regulations. These statutory provisions require the Council to make arrangements for the proper administration of its financial affairs. These Financial Procedure Rules state the principles of financial control and administration for the Council. They must be followed by the Council, Cabinet, every Member and Officer of the Council, its Committees and Sub-Committees. Where specific situations are not covered they must act with the best interests of the Council as a whole and within the spirit of these Rules. They must also be followed by anyone acting either on its behalf (i.e. where such a person or organisation has been given delegated authority to carry out identified functions on the Council's behalf) or in partnership with it.
3. If, in considering entry into a partnership agreement, there is a risk of conflict with any of the Council's Financial Procedure Rules, the Chief Executive, relevant Director/Head of Service and the Chief Finance Officer must first report to the Cabinet about such implications.
4. This requirement (to consider possible conflicts) also applies to those arrangements where the Council is to enter into arrangements for which it is to be either the accountable or the host body, or where the Council is considering 'pooled budgets' with other authorities. If the Council has not been nominated as the lead authority, then it is the responsibility of the Chief Finance Officer to assess and advise accordingly on the Financial Procedure Rules of the designated lead authority.
5. These Financial Procedure Rules and other regulatory rules exist to assist all levels of the organisation, including its partners, to ensure that the Council has proper financial and managerial controls in place and that it uses public monies in an accountable and transparent way.

6. These Financial Procedure Rules and other regulatory rules apply to schools except in so far as the specific arrangements under 'Fair Funding' (1998 Education Act) and Scheme for Financing Schools 2005 take precedence over them. In every other respect schools with local management arrangements must follow these Financial Procedure Rules.
7. These Financial Procedure Rules and other regulatory rules apply to the Clwyd Pension Fund except where separate legislation exists, e.g. Local Government Investment Regulations.
8. Financial Procedure Rules and Contract Procedure Rules must be followed where the Council acts as agent for any other body unless the agency agreement specifies otherwise.
9. Where there are references to the Chief Executive, Directors or Heads of Service the responsibility is as follows:
  - The Chief Executive as Head of Paid Service at a strategic level provides oversight, coordination and direction across the organisation.
  - Directors (including the Chief Executive in respect of Corporate Services) at a strategic level provide overview and coordination of resources, performance and service delivery across corporate services or a Directorate as appropriate.
  - Heads of Service are accountable at an operational level for, resource management, performance management and delivery of services relating to the division for which they have responsibility.
10. Where there are references to posts, the post holders are as follows:
  - The Head of Paid Service is the Chief Executive
  - The Chief Finance Officer is the Head of Finance
  - The Monitoring Officer is the Head of Legal and Democratic Services
  - The Chief Education Officer is the Director of Lifelong Learning

# FINANCIAL PROCEDURE RULES

## FINANCIAL PROCEDURE RULE 1: FINANCIAL MANAGEMENT

**1.1** The Council is responsible for making and amending the financial procedure rules and the contract procedure rules as it considers necessary and desirable for the proper administration of its financial affairs, taking into account any advice from the Chief Finance Officer, the Cabinet and the Audit Committee.

**1.2** Each Cabinet Member, the Chief Executive and each Director/Head of Service is responsible to the Council for the proper observance of the Council's Financial Procedure Rules and Contract Procedure Rules in regard to their respective responsibilities.

**1.3** Each Head of Service shall:

- (a) Ensure that all staff in their Service are fully aware of these Procedure Rules and are aware of the requirement to comply fully with them.
- (b) Maintain a record of those officers to whom these Procedure Rules have been issued.
- (c) Take all reasonable steps to ensure that the Financial Procedure Rules and Contract Procedure Rules are observed throughout their Service.

**1.4** Any staff who fail to observe Financial Procedure Rules and/or Contract Procedure Rules may be subject to disciplinary action.

**1.5** The Chief Finance Officer is the Officer responsible for the interpretation of these Procedure Rules, responsible for ensuring that they remain appropriate to the Council's activities. An annual review will take place and each individual rule will be reviewed at least every two years. The outcome of each review will be reported to Council, along with any recommendations for changes. Should there be any urgent changes required these will be recommended to Council between annual reviews.

**1.6** The Chief Finance Officer may waive the need to comply with any of these Financial Procedure Rules; recording the reasons for the waiver and setting out the scope and duration of the waiver and any substitute Procedure Rules. Alternatively, the Chief Finance Officer may refer an application for waiver to the Cabinet or the County Council. Whilst considering any waiver, the Chief Finance Officer must consult all relevant Director/Heads of Service and the Cabinet Member with responsibility for Finance.

**1.7** Any significant departure which has not been previously approved by the Chief Finance Officer (or by the Cabinet or the County Council or under urgent powers) from the Council's Financial Procedure Rules or Contract Procedure Rules that is brought to the attention of a Head of Service shall be reported to the Chief Finance Officer. A joint report of the Director/Head of Service and the Chief Finance Officer shall be submitted to the Cabinet and to the Audit Committee.

**1.8** These Financial Procedure Rules apply to the Council Fund (revenue and capital), the Housing Revenue Account (revenue and capital), all Trading Accounts and all other financial records held.

**1.9** The Chief Finance Officer has statutory responsibility for the proper administration and stewardship of the financial affairs of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit (Wales) Regulations currently in force

**1.10** The Chief Finance Officer among other functions is responsible for:

- The proper administration of the Council's financial affairs.
- Setting and monitoring compliance with financial management standards.
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- Advising on all matters which affect, or potentially affect, the finances or financial administration of the Council.
- Providing financial information.

- Making recommendations to the Cabinet and County Council for the preparation of the revenue budget and capital programme.
- Preparing the approved revenue budget and capital programme.
- Treasury management.

**1.11** The Chief Executive, Directors and Heads of Service are responsible for promoting the financial management standards set by the Chief Finance Officer in their Service and monitoring adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

**1.12** Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to every Member of the Cabinet or the Council as appropriate and to the External Auditor, if the Council, a Committee or Officer of the Council, or a Joint Committee on which the Council is represented:

- Has made, or is about to make, a decision which involves or would involve the Council incurring expenditure which is unlawful.
- Has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the Council.
- Is about to make an unlawful entry in the Council's accounts.

The Chief Finance Officer must consult with the Head of Paid Service and the Monitoring Officer as far as practicable in preparing any report under Section 114.

**1.14** The Chief Finance Officer shall make a report under this Section if it appears to him or her that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

**1.15** Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally, due to absence or illness.
- The Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

(All references to a Committee (joint or otherwise) include

Sub-Committees).

**1.16** Where a report has been issued by the Chief Finance Officer under Section 114 of the Local Government Finance Act 1988, the Council and the Council's Head of the Paid Service shall then follow the requirements of Sections 115 and 116 of the said Act.

## **FINANCIAL PROCEDURE RULE 2: FINANCIAL PLANNING**

Flintshire's Medium Term Financial Strategy (MTFS) provides a framework for the financial principles through which revenue and capital resources will be forecast, organised and managed to deliver the Council's vision and strategic objectives.

Integral to the Medium Term Financial Strategy, is the Medium Term Financial Plan (MTFP) which uses detailed intelligence led forecasting. The MTFP estimates available resources; investment needs linked to the Council's Improvement Plan and priorities, demand and externally led cost pressures and opportunities for efficiencies / savings for both revenue services and the capital programme over a five year period. The plan enables the gap between forecast funding levels and resource requirements to be identified over the medium term.

Detailed work is undertaken on an annual basis by Corporate Finance Team, in conjunction with the Corporate Management Team and Heads of Service, to build on the MTFP to enable a balanced revenue budget and capital programme is approved by Council for the following financial year.

**2.1** The process for developing the budget is set out in the Budget and Policy Framework Rules in Part 4 of the Constitution.

**2.2** The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis, together with a revenue projection over a five-year period, for consideration by the Cabinet, which will make recommendations to the Council. The Council is responsible for the approval of the revenue budget.

**2.3** The Chief Finance Officer in conjunction with the Director of Environment is responsible for ensuring that a rolling capital programme is prepared on an annual basis for consideration by the Cabinet, which will make recommendations to the Council, and that this is updated regularly throughout the year to reflect any capital resources which become available subsequently together with any programme slippage identified in year. The Council is responsible for the approval of the capital programme.



**2.4** The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration by Members, at each stage of the revenue budget and capital programme processes, of the Council's policy framework.

**2.5** The revenue budget will include the proposed level of unallocated Council Fund reserves, proposed taxation levels and the proposed budgets for each Head of Service and for central and corporate budget heads. The capital programme will include scheme details and estimated capital resources.

**2.6** It is the responsibility of the Chief Finance Officer to advise the Cabinet and the Council on prudent levels of reserves for the Council, taking into account any advice from the External Auditor.

**2.7** Directors are responsible for drawing up annual service plans linked to the improvement plan and council priorities. and identifying any budgetary implications for inclusion in the MTFP for member consideration

**2.8** Heads of Service will ensure that credit arrangements, such as leasing agreements, are not entered into without agreement with the Chief Finance Officer (via the Treasury Management team) and, if applicable, approval of the scheme through the capital programme. For the purchase of all items which are not brand new, Heads of Service will ensure that a Hire Purchase Information (HPI) check has been undertaken to ensure that there is no outstanding finance.

**2.9** All projects seeking inclusion in the Capital Programme will be subject to a project appraisal prior to consideration by Cabinet for inclusion in the capital programme.

**2.10** Heads of Service will proceed with capital projects only when approval has been received for the project to proceed.

**2.11** The Director of Environment will provide an estimate of capital receipts generation for inclusion within the capital programme, its subsequent updates (as per paragraph 2.3), and capital monitoring reports.

## **FINANCIAL PROCEDURE RULE 3: BUDGET MANAGEMENT (REVENUE AND CAPITAL)**

**3.1** Heads of Service are the accountable officers for budgets for the delivery of the services in the Division for which they have responsibility. Heads of Service are authorised to incur expenditure and generate income in accordance with the budget approved by Council, as amended by any virement made under Financial Procedure Rule 4, or any supplementary budgets approved under Financial Procedure Rule 5 by the Cabinet and/or Council as appropriate. It is the responsibility of the Head of Service to consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.

**3.2** Heads of Service will ensure that all income and expenditure is accounted for against the budget head to which it relates, irrespective of where budget has been allocated. Where necessary, Heads of Service should request a budget virement (FPR4).

**3.3** Heads of Service are accountable for monitoring and controlling both revenue and capital, income and expenditure against budget heads as approved in the Budget. Variances in excess of £50k should be reported with an explanation to the Chief Finance Officer

**3.4** The Chief Finance Officer is responsible for the adequacy and effectiveness of budgetary control arrangements across the Council, ensuring appropriate systems are in place to provide timely and sufficiently detailed reports to Managers to fulfil their budget monitoring responsibilities. Directors and Heads of Services are responsible for ensuring that the budgets for which they are responsible are monitored and reported on to the Chief Finance Officer in accordance with the agreed budgetary control arrangements. The Chief Finance Officer will report to the Cabinet on the Council's overall position on a regular basis.

**3.5** Heads of Service should ensure that each budget head, and below that, each cost centre, has a single named manager, who will be responsible for monitoring and investigating variances (positive and negative) against budget and bringing these to the attention of the Head of Service and the relevant Finance Manager or Accountant for action as required.

**3.6** Heads of Service should take action as necessary to avoid exceeding their budget allocation for the particular service area thus operating within their available resources, and ensure that Managers and all staff understand their financial responsibilities.

**3.7** Heads of Service should prepare budget action plans where a significant overspend is forecast. The action plan should identify how expenditure will be brought back into line with budget, either by taking corrective action, or, through the proposed use compensating savings elsewhere in their budget. Heads of Service should also report areas of forecast under spend, along with the implications for future years, for corporate consideration of where any available resources should be re-allocated. The use of budget savings other than in accordance with the approved budget is not permitted without Cabinet approval.

All significant variations from budget will be reported to the Chief Finance Officer, who will report the position and any budget action plans in the overall budget monitoring report to Cabinet. In certain circumstances it may be that the significance of the variance requires a separate report to Cabinet for consideration or approval. The report will outline the reasons for the projected variance, the implications for future years' budgets, along with the budget action plan to bring expenditure in line with budget.

Budget action plans will be monitored by the relevant Head of Service who will notify the Chief Finance Officer should it emerge that a budget action plan will fail to prevent an overspend. The Chief Finance Officer will report the position to Cabinet.

**3.8** In exceptional cases, Head of Services will submit reports to the Cabinet and to the Council, in consultation with Chief Finance Officer, where a Head of Service is unable to balance expenditure and resources within existing approved budgets under his or her control, requesting a supplementary budget allocation for the current financial year only. Financial Procedure Rule 5 provides further details.

**3.9** Nothing in the Financial Procedure Rules shall prevent expenditure being incurred which is essential to meet any immediate needs arising from an emergency, including any expenditure under Section 155 of the Local Government and Housing Act 1989 (Emergency Financial Assistance Scheme, formerly known as the "Belwin" scheme). Such action shall only be taken after consultation with the Chief Finance Officer, and any such expenditure must be reported retrospectively to the Cabinet, and the funding for such expenditure must be agreed as soon as possible.

## **RULES RELATING TO CAPITAL**

**3.10** The Chief Finance Officer is responsible for the monitoring of the Capital Programme, in conjunction with the Director of Environment. A report updated on a quarterly basis will be submitted to Cabinet, identifying changes in capital resources, including the generation of capital receipts and the effect of rollover together with quantifying contractually uncommitted values by scheme.

**3.11** Whole schemes, or distinct parts thereof, which are identified as slipping into the following financial year, shall be included in the Capital Programme assessments for the later year.

**3.12** The approved Capital Programme will include information on grant funded schemes, as estimated.

## **FINANCIAL PROCEDURE RULE 4: BUDGET VIREMENTS**

**4.1** Heads of Service may vire between revenue budget heads which they are responsible for up to a cumulative maximum of £75,000 during the year, providing that there will be no resultant change of policy and subject to the restrictions outlined in 4.3 below

Notification of all such virements should be given to the Chief Finance Officer in the format specified by the Chief Finance Officer.

**4.2** Budget virements in excess of £75,000 require the approval of the Cabinet, or, where there are implications to the policy framework, approval of the Council a joint report by the Chief Finance Officer and the Head of Service should be submitted for approval.

**4.3** The approval of the Cabinet, or, where there are policy implications, of the Council, is required for any virement, of whatever amount, where it is proposed to:

- Vire between budgets of different Cabinet Portfolio holders.
- Vire between budgets managed by different Heads of Service.

**4.4** Virements simply to minimise variances are specifically precluded. For example to minimise an under spend or reduce an overspend for the purpose of reporting rather than to meet the required level of service.

**4.5** Where an approved budget is a lump-sum provision or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- (a) The amount is used in accordance with the purposes for which it has been established.
- (b) The Cabinet has approved the basis on which it will be allocated, for example a recommendation that a one off investment from a contingency reserve be allocated to a service to support costs in the first year of operation (leisure services)

**4.6** Requests for Capital virement, of any amount, between capital budget heads, must be submitted to the Corporate Asset Management Group who will consider the proposal as part of its remit to maintain an overview of the capital programme, giving due consideration to the changes in capital resources, contractually uncommitted values and projected rollover. Following assessment of the proposal, Corporate Asset Management Group will make recommendations to the Chief Finance Officer and the Director of Environment who will report to Cabinet.

**4.7** A school's governing body may transfer budget provision between heads of expenditure within their delegated school budget following notification to the Head of Service.

## **FINANCIAL PROCEDURE RULE 5: ADDITIONAL BUDGET ALLOCATIONS (REVENUE AND CAPITAL)**

**5.1** The Council is responsible for the approval of any new proposals, of whatever amount, that:

- (a) Create financial commitments which will increase the total net base budget in future years. The funding of the proposal will be a call on future years' Council Tax. The funding for the year in which the proposal is put forward must be identified by the Chief Finance Officer from unearmarked reserves or from one-off reductions elsewhere. Any proposals which involve commitments into future years which are funded by reductions elsewhere (i.e. the total net base budget is not increased) will be in accordance with Financial Procedure Rule 4 (budget virements).
- (b) Alter the policy framework, i.e. result in changes to those policies and plans set out in the Constitution.

**5.2** Any other proposals which would result in changes to existing policies outside the policy framework (including the initiation of new policies or the cessation of existing policies) or materially extend or reduce the Council's services shall require the approval of the Cabinet.

**5.3** In-year requests for non-recurring additional budget are delegated to the Cabinet for consideration.

**5.4** Any monies included within the revenue budget or capital programme for corporate developments, to be approved during the year by Cabinet, will not be used to address budget pressures in base budget provisions.

**5.5** It is the responsibility of Head of Service to consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.

**5.6** If a bid for a supplementary budget is not approved, and the expenditure for which the supplementary budget was requested is unavoidable, the Head of Service must put forward to the Cabinet proposals for reducing expenditure elsewhere, specifying budget head and service implications. If there are any policy implications on the Policy Framework, the approval of Council will be required.

**5.7** The Head of Service will liaise with the Chief Finance Officer and Director of Environment through the Corporate Asset Management Group where a request is to be made for an additional capital scheme, or increased costs of approved capital schemes, to be included within the capital programme. The Chief Finance Officer will provide advice regarding the capital programme monitoring position, including slippage, and additional capital resources (if any) that may have been identified since the capital programme was approved.



## **FINANCIAL PROCEDURE RULE 6: FINANCIAL IMPLICATIONS OF REPORTS TO MEMBERS**

**6.1** When reporting to the Cabinet or Council on any matter which affects, or is liable to affect, the finances of the Council, the Head of Service shall, in consultation with the Chief Finance Officer, incorporate into the report the financial implications of the matter under discussion. This applies to both income and expenditure, of either a revenue or capital nature.

**6.2** If a report has no financial implications, this should be clearly stated.

**6.3** The Chief Executive, Directors and Heads of Service are responsible for ensuring that the appropriate Cabinet Member(s) are advised of the financial implications of all proposals and that these financial implications have been agreed with the Chief Finance Officer.

**6.4** The Financial Implications Section of any report to Members must contain a complete summary of the financial aspects of the report, and be self-contained, i.e. not require reference to any other part of the report, other than for further, non-financial, details.

**6.5** The Directors and Heads of Service are responsible for ensuring that all authors of reports are aware of the requirements under the Financial Implications Section, or that, where a report is written by an infrequent author of reports, the Financial Implications Section is overseen by a suitable Officer.

**6.6** Directors and Heads of Service should consult with Directorate Finance Officers when determining the financial implications. The wording of financial implications must be agreed with the Directorate Finance Officer before the report is passed to the Committee Administrator for inclusion on any agenda for Member consideration. Draft financial implications must be passed to the Directorate Finance Officer for consideration at least five full working days before the deadline for submission to the Committee Administrator, including reports with no financial implications. All strategic reports will be provided to the Chief Executive, the Chief Finance Officer and Monitoring Officer prior to the deadline for submission for consideration of issues of a strategic or corporate nature.

Where the financial implications are not agreed with the Chief Finance Officer prior to including the report on any agenda for Member consideration, the report will be withdrawn.

**6.7** The financial implications shall include an indication of full and part year income and expenditure; whether the income or expenditure is recurring or non-recurring; the revenue implications of any capital expenditure; details of any external funding (e.g. amount, duration, any conditions attached) and any staffing implications (cost in current year, cost in a full year and cost at the top of the grades). The Head of Human Resources and Organisational Development must be consulted on any staffing implications, and the human resources implications section of the report must provide such information as is required by the Head of Human Resources and Organisational Development.

**6.8** The financial implications shall also indicate clearly whether the net costs will be met from within existing budgets, from new sources of income, from virement, or whether (in exceptional circumstances) an increase in the budget is being requested in which case Financial Procedure Rule 5 applies. Where costs are to be met from within an existing budget, the Head of Service will provide the Chief Finance Officer with details of the relevant budget head(s).

**6.9** Where expenditure is to be met from grant funding which is time-limited, the report should clearly indicate whether expenditure will cease on the expiry of grant funding, or whether an increase in base budget will be required. In the latter case, it will not be adequate to indicate in the report that the expenditure will be subsumed within the Council's total base Budget Requirement. If an increase in base budget is not requested by the Head of Service, and approved by Members, then the Head of Service will not have authority to incur further expenditure following the expiry of the grant funding, unless this is met from elsewhere within the existing approved base budget, and this virement has approval from the Cabinet or the Council as appropriate.

**6.10** Any budget proposal that will impact on another service area should be proposed only after agreement with the relevant Head of Service' budget.

## **FINANCIAL PROCEDURE RULE 7: TREATMENT OF YEAR-END BALANCES**

**7.1** The Chief Finance Officer will administer the scheme of carry-forward within the guidelines approved by the Council.

**7.2** The Chief Finance Officer will report variances to the Cabinet, as part of regular monitoring, and to the Council, as part of the budget process.

**7.3** Any aggregate overspend on budgets, at Service level, under the control of the Head of Service will be carried forward to the following year, and will constitute the first call on service budgets in the following year, unless otherwise agreed by Cabinet and Council. The Chief Finance Officer will report the extent of overspends carried forward to the Cabinet and to the Council.

**7.4** Heads of Service will submit to the Cabinet, for approval, proposals for the recovery of any overspend not previously reported, specifying budget heads and service implications and the reasons for the late identification. If there are any implications to the Policy Framework, the approval of Council will be required.

**7.5** Cabinet will approve the use of service under spends, and also the use of any under spends against central and corporate budget heads, except where there are implications to the Policy Framework, in which case the approval of Council will be required.

**7.6** Schools' balances, under legislation, are available for carry-forward to support the expenditure of the school concerned. Where an unplanned deficit occurs, the governing body will prepare a detailed financial recovery plan, in consultation with the Chief Education Officer. The plan should recover the deficit within the following financial year unless, in exceptional circumstances, where a maximum deficit recovery period of 5 years is allowed.

## **FINANCIAL PROCEDURE RULE 8: ACCOUNTING POLICIES, PROCEDURES AND SYSTEMS**

**8.1** The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

**8.2** The Chief Executive, Directors and Heads of Service are responsible for adhering to the accounting policies approved and guidelines issued by the Chief Finance Officer.

**8.3** The Chief Finance Officer is responsible for determining the corporate financial systems, accounting procedures, records and timetables for the Council and must be consulted during the selection and implementation of non-corporate accounting systems to ensure that corporate accounting and internal control requirements are met.

**8.4** The Chief Finance Officer will:

- (a) Arrange for the compilation of all accounts and accounting records under his or her direction.
- (b) Be responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).
- (c) Sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.
- (d) Make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit (Wales) Regulations.
- (e) Prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the Council to approve the Statement of Accounts before the due date, and for the Audit Committee to consider the statement of accounts before approval by Council.

**8.5** The Council is responsible for approving the annual Statement of Accounts, on the recommendation of the Audit Committee which will consider them beforehand.

**8.6** Directors and Heads of Service will supply information required to enable the Statement of Accounts to be completed in accordance with guidelines and timetables issued by the Chief Finance Officer.

**8.7** The Chief Finance Officer and Head of Service will:

- (a) Ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud and other malpractice (by, for example, separation of the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums, from the duty of collecting or disbursing them).
- (b) Ensure that all claims for funds including grants are made by the due date.
- (c) Ensure the proper retention of prime documents and other financial documents in accordance with statutory requirements or any other timescales issued corporately.
- (d) Ensure that all the Council's transactions, material commitments and contracts and other essential accounting information are genuine and are recorded completely, accurately and on a timely basis; that they have not been previously processed and that they are held securely.
- (e) Ensure that all reconciliation procedures are carried out to ensure transactions are correctly recorded i.e. that output from systems is complete, accurate and timely.
- (f) Maintain adequate records to provide an audit trail leading from the source document for income/expenditure through to the accounting statements, and vice versa.

**8.8** Directors and Heads of Service will notify the Chief Finance Officer where neither corporate nor Directorate financial systems provide the information required for any necessary purpose, e.g. grant claims, cost-based performance indicators.

**8.9** The Chief Finance Officer is responsible for the operation of the Council's corporate accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors or Heads of Service to their existing accounting records or financial systems or the establishment of new systems must be approved by the Chief Finance Officer. Heads of Service are responsible for the proper operation of financial processes in their own Directorates.

**8.10** Any changes required to agreed financial procedures by Heads of Service in order to meet their specific service needs should be agreed with the Chief Finance Officer.

**8.11** Directors and Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer. Heads of Service are responsible for identifying financial training needs. The Chief Finance Officer is available to advise on this issue.

**8.12** Directors and Heads of Service must ensure that staff are aware of their responsibilities under data protection and freedom of information legislation. Heads of Service must ensure, in conjunction with the Data Protection Officer, that, where appropriate, computer and other systems are notified in accordance with data protection legislation.

**8.13** The Chief Finance Officer, Directors and Heads of Service will ensure that corporate and Directorate systems respectively are documented and staff trained in their operation.

**8.14** Directors and Heads of Service will:

- (a) Ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- (b) Ensure that relevant standards and guidelines for computer systems, as issued by the Head of ICT and Customer Services, are adhered to.
- (c) Ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- (d) Comply with the copyright, designs and patents legislation and, in particular, ensure that:
  - (i) only software legally acquired and installed by the Council is used on its computers.
  - (ii) staff are aware of legislative provisions.
  - (iii) in developing systems, due regard is given to the issue of intellectual property rights.

## **FINANCIAL PROCEDURE RULE 9: INCOME AND EXPENDITURE**

**9.1** It is the responsibility of the Directors and Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively, identifying staff authorised to act on the Head of Service's behalf in respect of payments, income collection and placing orders, including variations, together with the limits of their authority and in respect of monitoring such transactions against approved budgets.

**9.2** The Director and Heads of Service will supply lists of authorised officers, with specimen signatures and initials, and delegated limits, to the Chief Finance Officer, together with any subsequent variations. These should be updated to reflect changes in personnel and should be reviewed on an annual basis by the Head of Service.

### **Income**

**9.3** Where possible the Head of Service will obtain income in advance of supplying goods or services to improve the Council's cashflow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items. No invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property shall be raised without the approval of the Chief Finance Officer. All efforts should be taken to ensure that the invoices are raised in the most economical way possible. Wherever practicable such sums should be collected in cash. In these cases, the collection of the cash must be made before the supply of the goods or services. Authorisation should be obtained for amending invoices, issuing credit notes. All invoices written off must follow the procedures in the Corporate Debt Recovery Policy.

**9.4** The Council's position on money laundering is contained within the Money Laundering Policy, which is available upon request from the Chief Finance Officer. Officers involved in the collection of income should make themselves aware of this policy and report suspected cases to the Head of Corporate Finance. For this purpose, the Council cannot accept cash in excess of £5,000, although it is for individual officers to decide if, in specific instances, they should report incidents involving lesser amounts. In any situation requiring a sizeable refund the Officer involved should check the original type of lodgement.

**9.5** The Chief Finance Officer will:

- (a) Agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.
- (b) Order, control and issue all receipts, invoices, tickets and other documents recording, acknowledging, or demanding the receipt of monies paid to the Council, except where the Chief Finance Officer has given written approval to alternative arrangements in specific instances.
- (c) Agree the write-off of bad debts up to £5,000 in aggregate for each single domestic or business debtor, agree in consultation with the Cabinet Member for Finance the write-off of bad debts over those amounts but up to £25,000 and refer for approval items for write-off in excess of £25,000 to the Cabinet.
- (d) Ensure that appropriate accounting adjustments are made following write-off action.
- (e) Keep a record of all sums written off.
- (f) Make or approve secure and efficient arrangements for the recording of all income received by direct debit, standing order, debit and credit cards and such other methods of payment as the Council may approve.

**9.6** Directors and Heads of Service will:

- (a) Establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it at least annually, in consultation with the Chief Finance Officer. Where the Head of Service considers that an existing charge should be discontinued, or an additional charge levied, the Head of Service shall, after consultation with the Chief Finance Officer, make a recommendation to the Cabinet.
- (b) Separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- (c) Issue official receipts or maintain other documentation for income collection.
- (d) Ensure that money received by post is properly identified and recorded, with at least two employees present when post is opened.
- (e) Hold securely receipts, tickets and other records of income for the appropriate period.
- (f) Lock away all income to safeguard against loss or theft, and ensure the security of cash handling.



- (g) Ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details must be recorded on paying-in slips, duplicate(s) or counterfoil(s) to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a monthly basis. Every cheque, postal order or money order payable to the Council shall be crossed to the Council's bank account immediately on receipt.
- (h) Ensure that third party cheques are not accepted in payment of a debt to the Council, except with the authorisation of the Chief Finance Officer in writing. In each such case the receiving Officer shall record and verify the full name and address of the drawer.
- (i) Ensure that personal cheques are not, under any circumstances, cashed out of money held on behalf of the Council.
- (j) Supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due (both of a revenue or capital nature), to enable the Chief Finance Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. If possible all invoices should be raised within 5 working days of the provision of goods or services or at the earliest opportunity.
- (k) Have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- (l) Ensure that levels of cash held on the premises do not exceed approved limits.
- (m) Keep a record of every transfer of cash between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy. Every transfer of cash shall be made direct by hand and not through the internal or external post (unless by prior approval from the Chief Finance Officer).
- (n) Recommend to the Chief Finance Officer all debts to be written off and keep a record of all sums written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- (o) Notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

- (p) Notify the Chief Finance Officer of any waiving of a sum due, as soon as such a decision has been taken. Where the sum involved is in excess of £2,000, the Chief Finance Officer should be consulted, and the Cabinet if the value exceeds £10,000. The recording of all sums waived by a Head of Service shall be as agreed with the Chief Finance Officer.

## **Expenditure**

**9.7** Every Member and Officer of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with both the Members and Officers Codes of Conduct set out in the Constitution.

**9.8** All procurement activities (ordering of goods, services and works) will be undertaken on the Council's approved Purchase to Pay (P2P) system. Directors and Heads of Service will ensure that unique pre-numbered official orders are used, in a form approved by the Chief Finance Officer, for all work, goods or services to be supplied to the Council, except where a formal written contract is required, or for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer. Each order must conform to the guidelines approved by the Council. Standard terms and conditions must not be varied without the prior approval of the Monitoring Officer.

**9.9** Each Head of Service shall be responsible for all orders issued from, or on behalf of, his or her Directorate. Where one Head of Service places an order on behalf of another, that Head of Service shall obtain the latter's consent in advance.

**9.10** A written order shall be placed in advance of the relevant work, goods services or works being supplied. Where, due to urgent need, it is necessary to place a verbal, fax or e-mail order a written order shall be issued at the earliest opportunity and shall be clearly marked as being in confirmation of the verbal order.

**9.11** The Officer signing an official order and/or approving through workflow shall be responsible for ensuring, either personally or through the originating Officer, that it has been placed in accordance with the Council's Financial Procedure Rules, that there is sufficient budget provision to meet the expenditure under the proper budget head and in the proper year of account, and that the order request is properly completed.

**9.12** Apart from petty cash and schools' own bank accounts and other payment for advance accounts, the normal method of payment from the Council shall be by BACS drawn on the Council's bank account or National Giro account by the Chief Finance Officer. The use of direct debit for payments shall require the prior agreement of the Chief Finance Officer.

**9.13** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

**9.14** Directors and Heads of Service will ensure that the Officer approving through workflow an official order shall be responsible for ensuring, either personally or through the originating Officer, that:

- (a) All goods, services and works are ordered only by authorised staff and are correctly recorded.
- (b) All goods, services and works shall be ordered in accordance with the Council's Contract Procedure Rules unless they are purchased from sources within the Council.
- (c) Goods, services and works received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order.
- (d) Payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards, with prices, calculations, trade discounts and other allowances and credits checked.
- (e) All payments are made to the correct payee and are properly recorded.
- (f) All appropriate evidence of the transaction and payment documents are retained and stored in accordance with the Records Management Policy.
- (g) All appropriate steps are taken to minimise the risk of subsequent duplicate payments.
- (h) All expenditure, including VAT, is accurately recorded against the correct budget head and any exceptions are corrected. If it is deemed that a budget amount has been incorrectly allocated, a Head of Service will request a budget virement (FPR4). Under no circumstances will the expenditure be incorrectly coded in order to match the expenditure with an incorrect budget allocation.
- (i) Every order shall be specific as to the supplier, nature, quality (where applicable) and quantity (where applicable) of the works, goods or services being ordered, and shall clearly identify the budget head to which the order is properly chargeable.

- (j) Where a quoted price has been obtained, that price shall be quoted on the order. Where no quoted price has been obtained, copies of the order, other than the supplier's copy, shall, as far as practicable, in the Head of Service's opinion, bear an estimate of the cost of the order.
- (k) Every alteration to an official order after issue must be approved through workflow by an Officer authorised to approve such orders. A copy of each order shall, if so required, be supplied on request to the Chief Finance Officer.

**9.15** For purchases made electronically over the Internet (not including P2P transactions) the Officer will:

- (a) Ensure that the transaction has been authorised and evidence obtained either in the form of an official approved
- (b) Ensure that there are no corporate purchasing arrangements that allow the goods or services to be purchased more competitively.
- (c) Provide proof that the goods have been received and are in the custody of the Council.
- (d) Ensure that payment is only made using a Corporate Purchasing Card.

**9.16** The Chief Finance Officer will:

- (a) Ensure that all the Council's financial systems and procedures for ordering and paying for work, goods and services are sound and properly administered.
- (b) Approve any changes to such existing financial systems and approve any new systems before they are introduced.
- (c) Approve the form of official orders and associated terms and conditions. The ordering, control and issue of official orders shall be under the supervision of the Chief Finance Officer.
- (d) Make payments from the Council's funds on the Directors or Head of Service's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules. Payments made must be reconciled to the bank account on a weekly basis.

- (e) Make payments, whether or not provision exists within the budgets, where the payment is specifically required by statute or is made under a court order. The Director or Head of Service must notify the Chief Finance Officer immediately of any such expenditure. If no budget provision exists, the Head of Service must identify a budget virement. If the size of the payment warrants it, the Chief Finance Officer may identify corporate funding.
- (f) Make payments to contractors on the certification of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- (g) Provide advice on making payments by the most economical means.
- (h) Examine any accounts passed for payment to the extent considered necessary or desirable, and shall be entitled to receive from the Council's employees and creditors such information and explanations as the Chief Finance Officer may require for this purpose. Having been satisfied that the account is in order, the Chief Finance Officer will make such arrangements as are required to ensure payment is made.

**9.17** Directors and Heads of Service will:

- (a) Maintain an up-to-date list of such staff authorised to approve through workflow official orders, identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods, services and works ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.
- (b) Ensure that goods, services and works are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different Officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- (c) Ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
  - (i) receipt of goods or services
  - (ii) that the invoice has not previously been paid
  - (iii) that expenditure has been properly incurred and is within budget provision
  - (iv) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices

- (v) correct accounting treatment of tax
  - (vi) that the invoice is correctly coded
  - (vii) that discounts have been taken where available
  - (viii) that appropriate entries will be made in accounting records
- (d) Ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different Officer from the person who approved the order, and in every case, a different Officer from the person checking a written invoice, should authorise the invoice.
- (e) Forward certified invoices to the Chief Finance Officer, or input for payment, without delay, to ensure that settlement terms are complied with and prompt payment discounts achieved. If settlement terms are not stated the Council is required to pay all undisputed invoices within 30 days of receipt.
- (f) Ensure that the Directorate maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising Officers together and details of the limits of their authority shall be forwarded to the Chief Finance Officer and any subsequent amendments incorporated into the P2P system
- (g) Ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. (the formal invoice can be attached electronically via E-mail)
- (h) Encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.
- (i) Ensure that the Directorate obtains best value from purchases by using the corporate purchasing arrangements as endorsed by the Head of Procurement.
- (j) Notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31<sup>st</sup> March in line with the timetable determined by the Chief Finance Officer.

**9.18** The Chief Finance Officer is responsible for the appraisal of capital financing options, and arrangement of operating and finance leases. The Directors and Heads of Service will ensure that loans, leasing or rental arrangements are not entered into without prior consultation/agreement from the Chief Finance Officer (via the Treasury Management team). The exception to this requirement is for schools who arrange finance for equipment. This process will ensure that the Council's borrowing powers, authorised limits and approved credit arrangements are not exceeded, and that the Council complies with relevant accounting/reporting standards.

**9.19** With regard to contracts for construction and alterations to buildings and for civil engineering works, The Directors and Heads of Service will document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status, as contained in the Guidance Procedures relating to Employed / Self-Employed and Construction Industry Workers.



## **FINANCIAL PROCEDURE RULE 10: RISK MANAGEMENT, BUSINESS CONTINUITY AND INSURANCE**

**10.1** The Audit Committee is responsible for reviewing the effectiveness of risk management and business continuity.

**10.2** Heads of Service will take responsibility for risk management, having regard to advice from specialist officers (e.g. policy & performance, crime prevention, fire prevention, health and safety).

**10.3** Directors and Heads of Service will ensure that there are regular reviews of strategic and operational risks within their Directorates. Strategic risks will be notified promptly to CMT.

**10.4** Identification, evaluation and management of risk is part of every Heads of Service day-to-day responsibilities. Heads of Service will ensure that risks are assessed on an ongoing basis to ensure that the risk register and business continuity plans are kept up to date. This process will ensure that the links between service planning, risk assessment, risk management and financial planning are enhanced and any financial implications are built into future budget considerations. It also ensures that the Council can respond to unforeseen events to ensure continuity of service delivery.

**10.5** CMT will:

- (a) Review priorities and projects to ensure that strategic risks are identified and reviewed regularly to ensure that appropriate action is taken in relation to each priority or project.
- (b) Agree the appropriate level of risk for the Council in consultation with Members.
- (c) Challenge the outcomes of risk management and ensure effective dissemination of risk management information throughout their Directorate.
- (d) Monitor and update the risk register ensuring that all emerging risks and challenges are incorporated.
- (e) Review processes and findings from business continuity planning and activity

**10.6** The Chief Finance Officer shall effect all insurance cover, including an Internal Insurance Fund, to meet specified claim types as he/she considers necessary or desirable for the protection of the Council's interests.

**10.7** Heads of Service will notify the Chief Finance Officer of all new properties or vehicles that require insurance and of any alterations affecting existing insurances.

**10.8** The Chief Finance Officer will negotiate all claims by or against the Council, in consultation with the appropriate Head of Service, where necessary.

**10.9** Heads of Service will notify the Chief Finance Officer immediately of any loss, liability, damage or other event that may lead to a claim against the Council, and will also arrange to provide the Chief Finance Officer with any information or explanation required by him/her or by the Council's insurers, in accordance with the timescales imposed under the Access to Civil Justice Act (Personal Injury Protocols).

**10.10** The Chief Finance Officer shall review all insurances, and insurable risks in consultation with the appropriate Head of Service, at intervals not exceeding one year.

**10.11** The Chief Finance Officer shall annually provide all CMT with details of all insurance policies affecting their Directorate and a note of the cover provided.

**10.12** Heads of Service will consult the Chief Finance Officer on the terms of any indemnity that the Council is requested to give.

**10.13** Heads of Service will ensure that employees, or anyone covered by the Council's insurances, are aware that they must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

**10.14** The Chief Finance Officer will monitor actual and potential claims against the Council and ensure that the financial implications are fully reflected in budget monitoring.

## **FINANCIAL PROCEDURE RULE 11: INTERNAL CONTROL, INCLUDING AUDIT REQUIREMENTS**

**11.1** Overall responsibility for the control environment rests with the Council as a whole. The Corporate Management Team is responsible for overseeing and monitoring the control environment.

Monitoring of compliance with policies, procedures, laws and regulations is undertaken by relevant key officers. The Chief Finance Officer and Monitoring Officer have statutory responsibilities. Heads of Service have responsibility for the development and maintenance of the internal control environment to ensure:

- The Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- Compliance with all applicable statutes and procedure rules, and other relevant statements of best practice.

The Chief Finance Officer is responsible for the accounting control systems and records and the preparation of the Statement of Accounts.

**11.2** Directors and Heads of Service are responsible for having in place procedures to ensure that established controls are being adhered to and for evaluating their effectiveness. Directors and Heads of Service are required to periodically assess their systems of internal control to ensure that they are adequate to manage the risks associated with the service. They are also required to undertake such reviews when material changes are to be made either to structures or to working practices. This requirement applies equally to those arrangements in which the Council has a partnership relationship with a third party.

**11.3** Directors and Heads of Service must therefore assess, at least once a year, the effectiveness of their system of internal control, in line with current Accounts & Audit (Wales) Regulations.

**11.4** Directors and Heads of Service must also provide appropriate information to the Corporate Governance Working Group to enable the Annual Governance Statement to be included within the financial statements, as required.

**11.5** The Chief Finance Officer, Directors and Heads of Service will review existing controls in the light of changes affecting the Council and establish and implement new controls as necessary. They will also remove controls that are unnecessary or not cost or risk effective – for example, because of duplication.

**11.6** Heads of Service should ensure that staff have a clear understanding of all procedures, and of the consequences of lack of control.

**11.7** The Accounts and Audit (Wales) Regulations issued by the Welsh Government require every local authority to maintain an adequate and effective internal audit. The Council will ensure that the internal audit function is properly resourced, on the advice of the Chief Finance Officer and the Audit Committee.

**11.8** The Chief Finance Officer will ensure that internal auditors comply with the Public Sector Internal Auditing Standards

**11.9** The responsibilities of the internal auditors are set out in the Standards

In line with these requirements, they will perform internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place to:

- Establish and monitor the achievement of the organisation's objectives.
- Identify, assess and manage the risks to achieving the organisation's objectives.
- Formulate and evaluate policy, or provide policy advice, within the responsibilities of the Council's Chief Finance Officer.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations, including the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data.

**11.10** The internal auditors will have the authority, subject to statutory and common law limitations and prior consultation when applicable, to:

- (a) Access Council premises.

- (b) Access all assets, records, documents, correspondence and control systems.
- (c) Receive any information and explanation considered necessary concerning any matter under consideration from Members and Officers.
- (d) Require any employee of the Council to produce or account for cash, stores or any other Council asset or asset of a third party under his or her control.
- (e) Access records, staff and premises belonging to partner organisations and contractors, when required.
- (f) Have unrestricted access to senior management, members and all employees.

**11.11** The Chief Finance Officer will:

- (a) Promote awareness of internal control issues by Members and Officers.
- (b) Promote awareness of Members and Officers of anti-fraud and anti-corruption issues.
- (c) Be the line manager for the Internal Audit Manager and ensure that the quality of his or her work is monitored.

**11.12** The Council will ensure that Internal Audit is independent in its planning and operation.

**11.13** The Internal Audit Manager will have direct access to the Head of Paid Service, the Monitoring Officer, External Audit and the Chair of the Audit Committee.

The Internal Audit Manager can request a private meeting with the Audit Committee at any time, with no other Council Officers present. Such a meeting should take place at least annually.

**11.14** The Internal Audit Manager will:

- (a) Propose the strategic and annual audit plans following detailed consultation with Directorate Management Teams and the Corporate Management Team.
- (b) Submit these to the Audit Committee for comment and approval.
- (c) Consider any comments of the Audit Committee and amend the plans, as appropriate.

- (d) Ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.
- (e) Prepare reports on audit issues to the Audit Committee.
- (f) Maintain an Audit Charter, Corporate Anti-fraud and Anti Corruption Strategy, Fraud Response Plan and a Prosecution Policy. These will be submitted to the Audit Committee and to the Cabinet for approval

**11.15** Heads of Service will maintain a register of interests, in which any hospitality or gifts accepted, must be recorded:

- (a) In compliance with the Flintshire County Council Code of Conduct for Local Government Employees, no employee of the Council shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties.
- (b) The offer of any such fee, gift or reward shall be reported immediately by the employee concerned to the appropriate Head of Service, who shall in turn notify the Chief Finance Officer of the occurrence.

**11.16** The Head of Human Resources and Organisational Development will ensure that the policies in 11.14 and 11.15 will be reflected in the HR Policies and other policies, as relevant, of the Council.

**11.17** Heads of Service will:

- (a) Ensure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- (b) Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- (c) Consider and respond promptly to recommendations in audit reports.
- (d) Ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- (e) Ensure that whenever any matter arises which involves, or potentially involves, any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources, Internal Audit are notified and take any such other immediate action as considered necessary (subject to any Council rules and protocols).

- (f) Internal Audit shall notify the Chief Finance Officer where appropriate, and take such action by way of investigation and report, including informing and consulting with the relevant Head of Service, Monitoring Officer and Head of Human Resources and Organisational Development, notifying the Head of Paid Service, the Police and/or the External Auditor, as considered appropriate. Pending investigations and reporting, the Head of Service will take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- (g) Where sufficient evidence exists to believe that a criminal offence may have been committed, Internal Audit will consult with the Chief Finance Officer and Monitoring Officer and determine whether to refer the matter to the Police. The Police will determine with the Crown Prosecution Service whether any prosecution will take place. Where fraud, theft, improper use or misappropriation of the Council's property or resources is proved, and the Council has suffered a financial loss, the Council will seek to recover the full value of any loss as outlined in the Corporate Anti-Fraud and Anti Corruption Strategy, Fraud Response Plan and Prosecution Policy.
- (h) Instigate the Council's disciplinary procedure when the outcome of an audit investigation indicates improper behaviour (by a member of staff), or indicates that a wider investigation is appropriate.
- (i) Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

**11.18** The Chief Finance Officer will:

- (a) Ensure that Internal Audit liaises effectively with External Audit.
- (b) Work with the External Auditor and advise the Council, Cabinet, Audit Committee and Head of Service on their responsibilities in relation to External Audit.
- (c) Ensure that all External Audit reports and any other relevant matters are reported to the Audit Committee.

## **FINANCIAL PROCEDURE RULE 12: SECURITY OF ASSETS**

**12.1** Head of Service will ensure that records and assets are properly maintained and securely held.

**12.2** The Chief Legal Officer, in consultation with the Director of Environment, shall maintain a terrier of:

(a) All lands and properties owned by the Council (with the exception of dwellings provided under the Housing Acts) in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference, purchase details, particulars of all interests, tenancies granted and rents receivable.

(b) All lands and properties leased to the Council in a form agreed with the Chief Finance Officer, recording the holding Committee, purpose for which held, location, extent, plan reference and lease rental payment details.

The corporate property function resides within the Environment Directorate, with property records maintained by Valuation and Estates Services in conjunction with Legal.

**12.3** The Director of Environment will arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer and, in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).

**12.4** The Head of Legal Services shall have custody of all title deeds and will put in place secure arrangements for this.

**12.5** The Director of Environment shall maintain a record of all dwellings provided under the Housing Acts in a form agreed with the Chief Finance Officer.

**12.6** Directors and Heads of Service shall be responsible for maintaining proper security and confidentiality of all financial and related information in the Head of Service's possession including complying with the requirements of the Council's Information Security Policy, Data Protection Act, the Computer Misuse Act and any subsequent legislation.



**12.7** Directors and Heads of Service must ensure that:

- (a) All staff are aware of their responsibilities with regard to safeguarding the Council's assets and the protection and confidentiality of information, whether held in manual or computerised records, including the requirements of the Data Protection Act and software copyright legislation.
- (b) All staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer, portable storage media acceptable usage, e-mail and internet security policies.
- (c) Arrangements are in place for the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores and other assets under their control.
- (d) Lessees and other prospective occupiers of council land or buildings are not allowed to take possession or enter the land or building until a lease or legal agreement, in a form approved by the Chief Legal Officer in consultation with the Chief Finance Officer, has been established as appropriate.
- (e) Where land or buildings are surplus to requirements, a recommendation for sale is the subject of a report by the Head of Service, or where action is taken under delegated powers this is reported to the Cabinet.
- (f) Each Directorate maintains a register of moveable assets and that assets are identified, their location recorded, and that they are appropriately marked and insured.
- (g) Cash holdings on premises are kept to a minimum and shall not exceed such limit as the Chief Finance Officer may prescribe, and that the arrangements for such cash holdings have been agreed with Internal Audit. Each Head of Service must, in consultation with the Chief Finance Officer ensure safe and efficient cover for cash in transit.

- (h) Keys to safes and similar receptacles are carried in the possession of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible. All official keys of buildings, alarms and secure places shall be securely maintained at all times using a designated key tagging system by the individual responsible for their custody. If not held on the person of the individual responsible for their custody, they should be held under secure arrangements. The loss of any such keys shall be reported to the Chief Finance Officer immediately.
- (i) Assets are only used in the course of the Council's business, unless the Head of Service concerned has given permission, in writing, for personal use by an employee.
- (j) Records are kept of the disposal or part-exchange of assets. Such disposals should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Cabinet agrees otherwise.
- (k) Inventories or other records are maintained, in a form approved by the Chief Finance Officer, of all vehicles, plant, equipment (including portable equipment such as FCC Laptops), machinery, protective clothing and such other items as the Chief Finance Officer may require for each location under the Head of Service's control. Unless otherwise authorised in writing by the Chief Finance Officer, each inventory shall record, in respect of each item a brief description of the item, the serial number or other identifying mark (where applicable), particulars of acquisition (including details of ownership where applicable) and, in due course, particulars of disposal.
- (l) An annual check of all items on the inventory is carried out in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- (m) There are arrangements for the care and custody of stocks and stores in the Directorate. Each Director and Head of Service shall be responsible for the care and custody of all stocks and stores held in that Directorate and shall account for their purchase, control, issue and return and disposal in a manner approved by the Chief Finance Officer.

- (n) Items shall be held in stock only where ready availability or where purchase in bulk is more economical than purchase of individual items, having due regard to the storage and administration costs associated with each method. Stocks shall not exceed the level required to meet reasonable anticipated needs or to obtain the benefits of bulk purchasing, except in special circumstances in consultation with the Chief Finance Officer.
- (o) Stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion, referring issues to Internal Audit, where appropriate.
- (p) The Chief Finance Officer shall receive from the appropriate Head of Service such information relating to stocks as the Chief Finance Officer may require for accounting or costing purposes, and shall require the appropriate Head of Service to conduct, by persons other than the storekeeper, a complete stock-take at intervals of not more than one year together with one interim stock check.
- (q) Sample checks are made of all actual stock holdings against recorded stock holdings. The checks should be such that all items of stock are included within the check at least once a year.
- (r) Discrepancies are investigated and written off as necessary.

**12.8** Surplus, obsolete or defective items held in stock shall be disposed of at regular intervals not exceeding one year. Procedures for disposal of such stocks and equipment, including inventory items, should be by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case. Such write-offs or disposals will be reported to the Cabinet.

**12.9** When the Head of Service considers it appropriate, the stock or inventory item may be offered to other Directorates or employees for the highest quotation received on a secret and competitive basis, or disposed of by public auction, or as scrap and disposal shall be certified in the stock records or inventory by the signature of the Head of Service or other authorised Officer.

The names of Officers authorised to certify such disposals shall be agreed with and notified to the Chief Finance Officer by each Head of Service, who shall provide the Chief Finance Officer with the specimen signature and initials of each such authorised Officer and amendments as they may occur. Disposal of items by any other method shall be subject to prior written authority from the Chief Finance Officer.

**12.10** In the event that the Council decides to become involved in the commercial exploitation of intellectual property e.g. software development, the matter should be agreed by the Cabinet.

**12.11** Whenever, in case of eviction, re-possession or similar circumstances, the Council takes possession or custody of private moveable property, an itemised inventory shall be taken in the presence of two persons, one of whom shall be a Council Officer or representative, who both shall witness it as a correct record.

**12.12** Each Head of Service shall be responsible for ensuring safe custody and maintaining adequate records of lost property found on premises for which that Head of Service is responsible. Unclaimed items shall be disposed of by the Head of Service under arrangements approved by the Chief Finance Officer.

**12.13** Each Head of Service will ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property. The Head of Human Resources and Organisational Development will ensure that this is reflected in the Council's HR Policies.

**12.14** Every acquisition, disposal or transfer to another location shall be recorded immediately in the appropriate inventories.

**12.15** The Chief Finance Officer will ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds.

**12.16** Head of Service will ensure that income received for the disposal of an asset is properly banked and coded.

**12.17** If any aspect of security is considered defective, or if special security arrangements are considered desirable, the Head of Service concerned shall consult with the Chief Finance Officer with a view to remedial action.

## **FINANCIAL PROCEDURE RULE 13: IMPREST ACCOUNTS**

**13.1** The Chief Finance Officer will:

- (a) Provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and prescribe rules for operating these accounts.
- (b) Agree, in consultation with the relevant Head of Service, the petty cash limit and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- (c) Reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

**13.2** The Chief Finance Officer shall issue to Officers authorised to receive official money, such change floats as considered necessary, following consultation with the relevant Head of Service, for the efficient performance of cash collection duties. Such a float shall not be used for any purpose other than the giving of change, and the Officer to whom it is issued shall be responsible at all times for its safe custody until such time as it is repaid to the Chief Finance Officer.

**13.3** The Head of Service will ensure that employees operating an imprest account:

- (a) Obtain and retain receipts/invoices and vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained in order to ensure the correct recovery of VAT as per HM Revenue and Customs regulations.
- (b) Ensure reimbursement claims are signed by the claimant and one authorising signatory. Imprest controllers must ensure that two authorising signatories are obtained where there are no valid receipts/invoices to support the expenditure.
- (c) Make adequate arrangements for the safe custody of the account.
- (d) Produce upon demand by the Chief Finance Officer cash and all receipts/ invoices and vouchers to the total value of the imprest amount.
- (e) Record transactions promptly.
- (f) Reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. Reconciliation sheets are to be signed by the imprest holder and two authorising signatories and placed on file.

- (g) Provide the Chief Finance Officer with a certificate of the value of the account held at 31st March each year.
- (h) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (i) Ensure that payments are never made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where bonus incentive payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies. Payments can be made from petty cash and then coded appropriately to the correct budget. In the case of deputyship, this is then reclaimed from personal monies.
- (j) Where emergency loans are made to service users, Officers will comply with the Monitoring and Recovery of Loans Procedure.
- (k) On leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, account to the Chief Finance Officer for the amount advanced to him or her, and either repay the balance, without delay, to the Chief Finance Officer or transfer it to another authorised Officer (as outlined in FPR 9.7 (m)).

**13.4** The Chief Finance Officer may at any time require the authorised Officer to produce the float for inspection, to repay it or to sign a certificate of the amount held.

**13.5** Where considered appropriate the Chief Finance Officer shall open an account with the Council's bankers or other approved agency. The Imprest holder shall not allow the account to become overdrawn. It shall be a standing instruction to the Council's bankers or approved agency that the amount of any overdrawn balance on a Petty Cash Imprest holder's bank account be reported to the Chief Finance Officer.

## **FINANCIAL PROCEDURE RULE 14: TREASURY MANAGEMENT, BANKING, TRUST FUNDS AND FUNDS HELD ON BEHALF OF THIRD PARTIES**

**14.1** The Council will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

**14.2** The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

**14.3** The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice in Treasury Management.

**14.4** The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

**14.5** The Chief Finance Officer will operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Chief Finance Officer. Heads of Service will follow the instructions on banking issued by the Chief Finance Officer.

**14.6** The Chief Finance Officer will act as the Council's registrar of stocks, bonds and mortgages and maintain records of all borrowing of money by the Council.

**14.7** Heads of Services will arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.

**14.8** Heads of Service will arrange where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and for the maintenance of written records of all transactions.

**14.9** Heads of Service will ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

**14.10** Criminal Injuries Compensation Awards will be put on deposit with the Council's other investments and therefore form part of the Central Loans and Investment Account, thus attracting appropriate money market rates. Each award will be accounted for separately with interest being credited on an annual basis.



## **FINANCIAL PROCEDURE RULE 15: TAXATION**

**15.1** The Chief Finance Officer and / or Head of Human Resources and Organisational Development (as appropriate as described below) is responsible for advising Directors and Heads of Service, on all taxation issues that affect the Council.

**15.2** The Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate is responsible for maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date.

**15.3** The Chief Finance Officer will:

- (a) Complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- (b) Be responsible for accounting to the appropriate agency for other forms of taxation payable to or by the Council and for supplying to such agencies such other information as they may validly require.
- (c) Provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme.
- (d) Maintain up-to-date guidance for each Head of Service on their responsibilities in regard to any taxation matters, and to individual Council employees on taxation issues.

**15.4** The Head of Human Resources and Organisational Development, with guidance from the Chief Finance Officer, will:

- (a) Account to HM Revenue and Customs for all tax deducted from employees' emoluments under the PAYE arrangements.
- (b) Maintain up-to-date guidance for Heads of Service on their responsibilities in regard to taxation matters relating to Payroll, and inform Council employees of taxation issues arising within Payroll.

**15.5** The Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate may require from any employee of the Council such information as is necessary for fulfilment of their obligation under this Financial Procedure Rule.

**15.6** Directors and Heads of Service will:

- (a) Ensure that for any purchase which is taxable under current VAT legislation, payment will only be made on receipt of a proper invoice complying with the VAT regulations. The only exceptions are where an invoice is properly issued by the supplier on receipt of payment or where the use of authenticated VAT receipts has been agreed with the supplier.
- (b) Ensure that the correct VAT liability is attributed to all income due and that the recovery of VAT on purchases, including those paid for via an imprest account or corporate card, complies with HM Revenue and Customs regulations.
- (c) Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- (d) Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- (e) Follow the guidance on taxation issued by the Chief Finance Officer or Head of Human Resources and Organisational Development such as the "Tax Management: Corporate Policy Statement"; in the "VAT Manual" and in taxation updates issued periodically.
- (f) Seek advice from the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate on VAT, or other tax implications, when entering into partnerships and other joint working arrangements.

## **FINANCIAL PROCEDURE RULE 16: TRADING OPERATIONS**

**16.1** It is the responsibility of the Chief Finance Officer to advise on the accounting arrangements for the establishment and operation of trading accounts and business units.

**16.2** Heads of Service will:

- (a) Observe all statutory and Council requirements in relation to trading accounts for business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is properly charged.
- (b) Ensure that the same accounting principles are applied in relation to trading operations as for other services or business units.
- (c) Ensure that each business unit prepares an annual business plan.

**16.3** Heads of Service will consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

## **FINANCIAL PROCEDURE RULE 17: STAFFING**

**17.1** The Head of Human Resources and Organisational Development will act as an advisor to a Head of Service on areas such as National Insurance, whilst the Chief Finance Officer will act as an advisor on pension contributions, as appropriate.

**17.2** Heads of Service will:

- (a) Ensure that budget provision exists for all existing and new employees.
- (b) Monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- (c) Ensure that the staffing budgets are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided.

**17.3** The management of employee costs within schools is the responsibility of the governing body.

**17.4** When reporting to the Cabinet or Council on any matter which has, or is liable to have, staffing / HR implications, a Director or Head of Service shall, in consultation with the Chief Finance Officer and the Head of Human Resources and Organisational Development, incorporate into the report both the staffing / HR and financial implications of the matter under discussion.

## **FINANCIAL PROCEDURE RULE 18: PAYMENTS TO EMPLOYEES AND MEMBERS**

**18.1** Official Council expenses incurred by Members and Employees of the Council shall be paid direct by the Council.

**18.2** All claims for payment of financial loss, attendance, travelling, subsistence and car allowances, and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate. With the introduction of the iTrent system, employees will be able to submit expenses via Employee Self Service. The system will be rolled out to the whole organisation in a phased process. Managers will authorise expenses via the iTrent system.

**18.3** The names of Officers authorised to certify such claims shall be agreed with, and notified in writing to, the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate by each Head of Service, who shall provide the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate with the specimen signature and initials of each such authorised Officer, and any amendments on the occasion of any change. Certification of a claim by, or on behalf of, a Head of Service shall signify that the certifying Officer is satisfied that the journeys were authorised, that the expenses were necessarily incurred in the performance of duty, that the allowances are properly payable by the Council, and that cost-effective travel arrangements are achieved.

**18.4** All claims shall be submitted to the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate for payment within such time as may be specified.

**18.5** The Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate will:

- (a) Arrange and control secure and reliable payment of salaries, wages, pensions, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- (b) Record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- (c) Make arrangements for payment of all travel and subsistence claims or financial loss allowance.

- (d) Make arrangements for paying Members' under the Members Allowances Scheme and the Members Travel and Subsistence Scheme, which will be maintained by the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate.
- (e) Ensure that there are adequate arrangements for administering pension scheme matters on a day-to-day basis.

Directors and Heads of Service will:

- (a) Ensure appointments are made in accordance with the Procedure Rules of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- (b) Notify the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate of all appointments, terminations (resignations, dismissals) or variations (secondments, transfers, absences from duty through sickness or other reasons apart from approved leave, changes in remuneration, other than normal increments and pay awards and agreements of general application) which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate.
- (c) Ensure that adequate and effective systems and procedures are operated in a form approved by the Head of Human Resources and Organisational Development, so that payments are only authorised to bona fide employees:
  - (i) Payments are only made where there is a valid entitlement.
  - (ii) Conditions and contracts of employment are correctly applied.
  - (iii) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- (d) Provide information necessary to maintain records of service for superannuation, income tax, national insurance or other statutory obligations.
- (e) Ensure that payroll transactions are processed only through the payroll system. Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Human Resources and Organisational Development.

- (f) Ensure that the Head of Human Resources and Organisational Development is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- (g) In conjunction with the Head of Human Resources and Organisational Development, maintain an up to date establishment structure and adhere to the Establishment Control Maintenance Process.

**18.6** The Head of Human Resources and Organisational Development will be responsible for recovering payroll overpayments where the employee continues to have employment with the Council and where the overpayment is £750 or less. A repayment schedule, ensuring repayment is made within the same financial year as the overpayment, will be formally agreed with the employee.

For all payroll overpayments in excess of £500, irrespective of employment status, recovery of the overpayment will be the responsibility of Debt Recovery, ensuring that such overpayments are included within the Council's total debt.

**18.7** All pay documents shall be, in a manner prescribed by the Head of Human Resources and Organisational Development, certified manually by or on behalf of the appropriate Head of Service. The names of Officers authorised to certify such documents shall be agreed with, and notified in writing to the Head of Human Resources and Organisational Development by each Head of Service, who shall provide the Chief Finance Officer with the specimen signature and initials of each such authorised Officer and any amendments on the occasion they arise.

**18.8** Heads of Service and the Head of Human Resources and Organisational Development will ensure that all appropriate payroll documents are retained and stored, as required, by the Head of Human Resources and Organisational Development.

**18.9** No cheque made payable to a Member or Employee will be cashed by the Council, unless it is under a scheme approved by the Chief Finance Officer and is presented by the person named on the cheque, and duly endorsed.

**18.10** Members will submit claims for travel and subsistence on a monthly basis.

## **FINANCIAL PROCEDURE RULE 19: PROCUREMENT**

**19.1** The Head of ICT and Customer Services (who has the responsibility for the Corporate Procurement Unit) will be responsible for advising on procurement arrangements in order to achieve the most favourable terms possible from suppliers, save on administrative expense and process costs, ensure compliance with UK and EU procurement legislation and assist the Council with its efficiency agenda.

**19.2** Heads of Service are required to follow central procurement arrangements. Where particular goods and services are not available through these arrangements, the Head of Services will consult with the Corporate Procurement Unit for guidance on the appropriate next steps.

**19.3** Contract Procedure Rules apply to all contracts entered into by or on behalf of the Council with the intention of procuring goods, services or works.

**19.4** Every contract entered into by the Council shall comply with:

- (a) all relevant statutory provisions
- (b) the relevant EU law and EU public procurement rules
- (c) the Council's constitution
- (d) schemes of delegation
- (e) the Council's strategic objectives and policies
- (f) the Council's Procurement Strategy and any other relevant Council policies

**19.5** Under Flintshire's Scheme for Financing Schools, schools are not bound by central procurement arrangements, but are encouraged to be so. However, school expenditure for the supply of goods and services is still subject to the EU and UK procurement legislation..



## **FINANCIAL PROCEDURE RULE 20: PARTNERSHIPS**

**20.1** Both the Council and the Cabinet are responsible for approving delegations, including frameworks for partnerships and joint ventures. The Cabinet is the focus for forming partnerships and joint ventures with other local public, private, voluntary and community sector organisations to address local needs.

**20.2** Both the Council and the Cabinet can delegate functions – including those relating to partnerships – to Officers. These are set out in the Scheme of Delegation that forms part of the Council’s Constitution. Where functions are delegated the Officers remain accountable for them to the Council and the Cabinet as appropriate.

**20.3** The Head of Paid Service or other nominated Officers will represent the Council on partnerships and external bodies, in accordance with decisions of the Council/Cabinet or otherwise as authorised by the Head of Paid Service

**20.4** The Chief Finance Officer and Monitoring Officer are responsible for encouraging the same high standards of conduct (with regard to financial administration and other matters, respectively) in partnerships and joint ventures that apply throughout the Council insofar as the constitutions of respective organisations permit them to do so.

**20.5** The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are appropriate. He or she, in consultation with the Monitoring Officer, must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, ensuring that the risks have been fully appraised before agreements are entered into.

**20.6** Directors and Heads of Service are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

**20.7** The Chief Finance Officer will:

- (a) Advise on the key elements of funding a project, including:
  - (i) An options appraisal scheme for financial viability.
  - (ii) Risk appraisal and management.
  - (iii) Resourcing, including taxation and pension issues.
  - (iv) Audit, security and control requirements.

- (v) Carry-forward arrangements.
- (b) Ensure that the accounting arrangements are appropriate.

**20.8** The Monitoring Officer will advise on legal matters.

**20.9** Heads of Services will:

- (a) Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- (b) Ensure that, before entering into agreements with external bodies, a risk management and options appraisal has been prepared for the Cabinet, in consultation with the Chief Finance Officer and Monitoring Officer.
- (c) Ensure that all agreements and arrangements are properly documented.
- (d) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's Statement of Accounts concerning material items.
- (e) Ensure that the project progresses in accordance with the agreed plan and that all expenditure is properly incurred and recorded.

**20.10** Directors and Heads of Services will ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Chief Finance Officer.

**20.11** Directors and Heads of Services will seek advice from the Chief Finance Officer or Head of Human Resources and Organisational Development as appropriate on VAT, or other tax implications, when entering into partnerships.

## **FINANCIAL PROCEDURE RULE 21: EXTERNAL FUNDING**

### **21.1** Directors and Heads of Service will:

- (a) Ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- (b) Ensure that funds are acquired only to meet the priorities approved by the Council in the policy framework.
- (c) Ensure that any match-funding requirements are given due consideration and that future revenue budgets reflect these requirements, before entering into long-term agreements.
- (d) Ensure that all claims for funds are made by the due date.

### **21.2** The Chief Finance Officer will:

- (a) Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- (b) Ensure that audit requirements are met.

### **21.3** Directors and Heads of Services will:

- (a) Ensure that proposals are costed properly and that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- (b) Ensure that contracts are drawn up and maintain a register of all contracts entered into with third parties.
- (c) Ensure that all grant income and associated information is logged on the Corporate Grant Register and adhere to the requirements of the Grant Manual.
- (d) Ensure that appropriate insurance arrangements are made, via the Chief Finance Officer.
- (e) Ensure that, as far as possible, the Council is not put at risk from any bad debts.
- (f) Ensure that no contract is subsidised by the Council.
- (g) Ensure that such contracts do not impact adversely upon the services provided for the Council.

- (h) Have in place an exit strategy to implement when the funding ceases. This strategy must allow for all costs associated with the winding up, including any costs arising because staff have gained employment rights, being met from within the externally provided monies and, therefore, at no additional cost to the Council. If the terms of the external funding do not allow such costs to be met from it, then they must be met from within the base budget of the Directorate concerned.
- (i) Provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.
- (j) Ensure that all grant income is coded, in the first instance, to the appropriate balance sheet code in order to avoid double counting the overall income and expenditure of the Council.

## **FINANCIAL PROCEDURE RULE 22: VALUE FOR MONEY**

**22.1** Each Head of Service shall be responsible for ensuring that value for money is obtained in the performance of all operations and transactions under the Head of Service's control, subject to statutory constraints, Financial Procedure Rules, Contract Procedure Rules (e.g. the requirement to rotate contractors) and any other directives of Council, where the control environment and ensuring probity takes precedence. In assessing value for money, all short-term and long-term costs and benefits associated with the matter under consideration shall be taken into account.

**22.2** If, at any time, the Chief Finance Officer forms the view, based on objective financial evidence, that Heads of Service are not fulfilling their obligations with regard to value for money and that the Council's financial resources are not being utilised efficiently and effectively in the implementation of Council policy, he or she shall consult with the appropriate Head of Service and, if considered necessary, report to the Cabinet and/or the Audit Committee, as appropriate, on any matters giving rise to serious concern in this regard, in consultation with the Council's External Auditor.

## **FINANCIAL PROCEDURE RULE 23: OTHER FUNDS**

**23.1** The Council will not as a general rule supervise the financial administration of, nor audit, unofficial funds, and accepts no liability whatsoever for any loss however caused. Unofficial funds are defined as those which are not the property of the Council, for example school monies collected by schools for school trips and monies held in Amenities Funds in Social Services establishments. Those operating such funds, therefore, have an overall responsibility to ensure that proper financial stewardship is observed. This should include ensuring that:

- (a) A Treasurer and independent auditor are formally appointed.
- (b) Proper rules are operated to secure adequate standards.
- (c) Adequate records and procedures are maintained.
- (d) Regular reports on fund transactions and balances are received and checked against bank statements.
- (e) Annual statements of income and expenditure and fund balances are prepared and audited on a timely basis.

**23.2** The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools.

**23.3** Those operating or intending to operate unofficial funds are also required to:

- (a) Notify the Chief Finance Officer of details of the fund as soon as it is set up.
- (b) Provide an independent audit certificate for the fund on an annual basis.

**23.4** Heads of Service should provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts, as required.

## **FINANCIAL PROCEDURE RULE 24: PROTECTION OF CLIENTS ASSETS**

**24.1** Where the Council is appointed as a Deputy for a Client by the Office of the Public Guardian (OPG), Heads of Service will ensure that all OPG regulations and guidelines are complied with.

**24.2** Where the Council is approved by the Department for Work and Pensions (DWP) to act as a Corporate Appointee for a Client, Chief Officers will ensure that all guidelines provided by the DWP are complied with.

**24.3** Heads of Service will ensure that a separate bank account is arranged for each Client, with the bank account reconciled on a regular basis, at least monthly.

**24.4** Every transfer of clients monies from one Officer to another shall be recorded immediately in a manner approved by the Chief Finance Officer and shall be evidenced by the signature of the receiving Officer.

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<b>GLOSSARY OF FINANCIAL TERMS</b>	
Aggregate External Finance (AEF)	Aggregate external finance (AEF) represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement.
Annual Report & Accounts	The document that contains a summary of the purpose of the local authority, its activities and performance for the year, as well as the annual accounts.
Anti Canvassing	A declaration that a supplier, provider or contractor has not been party to canvassing or lobbying Council staff or Members either directly or indirectly to gain preferential treatment in competitive tendering processes.
Anti Collusive	A declaration that a supplier, provider or contractor has not been party to possibly fraudulent arrangements between two or more of them whereby prices or service requirements are manipulated to get round competitive tendering.
Assets	Any item of value owned by an entity (e.g. buildings, vehicles). Assets can be classed as Non-current or capital assets where the asset has a useful life of more than one year (e.g. buildings, vehicles), or a current asset which includes cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc.
Audit Certificate	The document that contains the opinion of the external auditor regarding an organisation's accounts, systems and standards.
Audit Committee	Audit Committees monitor and review the risk, control and governance processes that have been established in an organisation and the associated assurance processes to ensure that internal control systems are effective and that activities are within the law and governing regulations. This is done through a process of constructive challenge.
Audit Plan	Internal audit identification of the work that they intend carrying out over the audit planning period (up to a year) and the resources needed for that work.
Barnett Formula	The formula used to allocate a population based share of changes in planned expenditure on comparable services by Departments of the UK Government to the devolved administrations of Wales, Scotland and Northern Ireland. The Barnett Formula calculates the size of change to the assigned budget rather than the total assigned budget.
Benchmarking	A method for councils to work out how well they are doing, by comparing their performance with other, similar councils, and with performance indicators.
Best value	A statutory duty owed by local authorities to their local community, requiring them to make continuous improvements in the way they carry out their functions having regard to a combination of economy, efficiency and effectiveness.
Block Grant	The Block Grant is the sum of money voted by parliament to the

	Secretary of State for Wales. It constitutes the assigned element of the Welsh Governments' Departmental Expenditure Limit and is calculated from the existing baseline using the Barnett Formula.
Budget	A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them.
Budget Book	The publication in which the Council sets out its budget for a particular financial year.
Budget Head	For a particular service activity, the level of detail at which revenue or capital budgets are approved by the Council, whether in the Budget Book, the latest approved capital programme or as a result of supplementary estimates approved for the budget year.
Budgetary Control	The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or under spent. This process is aided by the use of budget profiles.
Capital Programme	The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.
Capital Charges	A calculation of the annual costs, included within the revenue accounts of using capital assets. This includes, where appropriate depreciation.
Capital Expenditure	Spending on non-current assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing asset.
CIPFA	Chartered Institute of Public Finance and Accountancy
Code of Corporate Governance	The part of the Council's constitution which sets out the systems and processes, and cultures and values necessary for achieving and demonstrating good corporate governance.
Codes of Conduct	The protocols within which Members and Officers will work as set out in the Constitution.
Codes of Practice	Guidance issued by professional bodies in relation to standards which are not regulated by statute, or by the Council itself.
Collaborative Arrangement	A contract or agreement established in conjunction with one or more other organisations.
Collaboration/ Consortium	The process of procurement shared between different Councils or other public sector organisations.
Construction Industry Scheme 2007	Legislation designed to ensure that all payments to contractors are made in accordance with HMRC legislation.
Consultant	A person (not an employee), agency or firm engaged for a limited period of time on a fee basis to carry out a specific task or tasks. A consultant provides subject matter expertise and/or experience to the Council either because it does not possess the skills or resource in-house or which requires an independent evaluation/assessment to be

	made
Contract	An agreement to be supplied with goods, works, services or supplies on mutually agreed and binding terms, often in writing.
Contractor/ Supplier/ Provider	The successful 'other party' with whom a contract is formed to provide the specified requirement.
Corporate Contracts	A contract which has been procured by Flintshire County Council or a Consortium for the potential use of, and on behalf of, the whole of Flintshire.
Corporate Governance	The system by which organisations are directed and controlled. The framework that ensures that an organisation fulfils its overall purpose, achieves its intended outcomes for residents of Flintshire and service users, and operates in an effective, efficient and ethical manner.
Council Fund	The fund to which all the Council's revenue expenditure is charged
Council Tax	A local tax based on the capital value of residential properties.
Council Tax Base	The estimated number of chargeable properties, expressed as the equivalent number of 'Band D' properties in the Council's area. The Council is required to annually advise the Welsh Government of its Council Tax Base (as at 31 <sup>st</sup> October), which they use in the Local Government Financial Settlement, and to allow the County Council, North Wales Police Authority and Town / Community Councils to calculate the following year's Council Tax charges.
Council's Constitution	The Constitution sets out how Flintshire County Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Council's Monitoring Officer	The Officer designated by the Council as its Statutory Monitoring Officer.
Creditors	A person or body to whom the Council owes money.
Debtors	A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the Council.
E procurement	The effective use of ICT to communicate and transact Council business with suppliers etc.
E tender	The effective use of ICT to undertake tenders.
Estimated Outturn	Estimates of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.
External Audit	External auditors provide an independent check that the annual accounts of a body properly reflect the financial year, funds were spent in accordance with relevant regulations or directions, and that the body achieves the best possible value for public money. External audit may also carry out value for money or other reviews of services.
Financial Regulations	That part of the Council's Constitution which provides an approved framework for the proper financial management of the authority.
Financial year	The period of twelve months commencing on 1 April
Framework Agreements	An arrangement under which a contracting Authority establishes with a provider of goods, works or services, the terms under which contracts subsequently can be entered into, or 'called-off' (within the limits of the

	agreement) when particular needs arise.
Fraud	Fraud is an intentional deception made for personal gain or to damage another individual. Good internal controls and governance arrangements are essential to minimise the risk of fraud. When council suffer fraud or theft it is often the case that the perpetrator has prepared false documents to disguise or to cover up the theft or fraud. In many cases the false documents include invoices and minutes
Goods	Tangible, moveable commodities (e.g. furniture and equipment etc)
Housing Revenue Account	The Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the council fund and trading accounts and is funded primarily from rents and government subsidy. Rent increases and the Housing Revenue Account Subsidy (HRAS) are approved annually under Standing Order 29, by the Welsh Government, through the <i>(Wales) General Determination of the Item 8 Credit and Item 8 Debit</i> and the <i>Housing Revenue Account Subsidy (Wales) Determination</i> .
Hypothecated Funding	Ring-fenced funding, which must be spent on particular services or initiatives
Indicator Based Assessments (IBAs)	Service specific Indicator Based Assessments (IBAs) are combined to generate total Standard Spending Assessments (SSAs, see further on) which are used by the Welsh Government to distribute the Revenue Support Grant funding to Local Authorities. IBAs are for use in calculating total SSAs and are not intended for use in determining individual authorities' budgeted expenditure on particular services.
Investment Income	Income from interest receipts on investments held by the council
Indemnity	Protection against future loss, or legal exemption from liability for damages
Insurance	Insurance is one of the ways that the councils manage the risk of losses
Internal Audit	Internal audit provides an objective appraisal service within an organisation, to improve the organisation's risk management, control and governance procedures, and to provide assurance to the accountable officer and the audit committee on these matters.
Internal control	The systems an organisation has in place to manage and mitigate risk.
Inventory	A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. They are also subject to periodic physical checks. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim.
Land Terrier	Records of land owned by the Council
Liabilities	Items that are owed by the entity such as loans, leases, etc.
Liquidated Damages	A prior estimate of a justifiable financial loss in the event of a failure to complete by the specified date(s).
Materiality	An expression of the relative significance of a particular matter in the context of the financial statements as a whole



Members Allowances	A scheme of payments to elected Members of the Council in recognition of their duties and responsibilities in accordance with the relevant Regulations.
Medium Term Financial Strategy	The approved strategic process by which the council expects to finance its activities in the medium term.
Outturn	Expenditure actually incurred
Overspend	When referring to expenditure the actual expenditure incurred is greater than the budget. Shown as a +ve When referring to income the actual income achieved is less than the budget. Shown as a +ve.
PAYE	Tax deductions from salaries and wages payments made by the Council in accordance with HMRC legislation.
Petty Cash/Imprest Account	A small amount of cash kept on hand by a service for incidental expenses
Precept	This is the Council Tax collected by the Council on behalf of the Community Councils and the North Wales Police Authority
Procurement	Procurement is the process of obtaining supplies, services and works spanning the life cycle of the asset or service contract. It has a wider meaning than traditional terms such as purchasing, buying or commissioning. It is about securing services and products which best meet the needs of all stakeholders; anyone who can or might be affected by the services and products involved.
Reserves	These are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advise of the Chief Finance Officer.
Revenue	A term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.
Revenue Support Grant (RSG)	<p>The Revenue Support Grant (RSG) represents the major element in the support for local revenue spending that the Council receives from the Welsh Government, as required by section 78(1) of the <i>Local Government Finance Act 1988</i>. Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement, and form a part of the Aggregate External Finance (AEF).</p> <p>The objective of the revenue support grant system is to enable authorities to provide a common level of service consistent with an aggregate figure of total standard spending (as assessed by Welsh Government using Standard Spending Assessments, see below). Its aim is to compensate for differences in the levels at which authorities need to spend and at which they can raise council tax in order to provide a common level of service. This objective is met by calculating the revenue support grant for each authority as the difference between its standard spending assessment and the sum of its re-distributed non-domestic rate income and council tax (as calculated by the Welsh Government for standard spending purposes.)</p>

Risk Management	A planned and systematic approach, involving culture, structure and processes, to provide assurance that the Council's significant risks are identified, evaluated and managed effectively
Risk Management Policy	An agreed policy which sets out how and why the Council will manage risk of all types across all of its activities
Scheme of Delegation	The framework by which budgetary control and financial monitoring are exercised at a local level.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. In Flintshire, this responsibility is vested in the Head of Finance.
Select List	A list of suitably qualified contractors, suppliers or providers that has been drawn up and assessed through an advertising and short-listing exercise for a particular contract or procurement activity.
Services	Intangible commodities (e.g. agency staff, consultants etc). It can also mean support to individuals or groups.
Standard Spending Assessments (SSAs)	<p>Standard Spending Assessments (SSAs) are notional assessments of each council's need to spend on revenue services, calculated each year by the Welsh Government for use in the distribution of the Revenue Support Grant (RSG). SSAs are calculated prior to the year to which they relate using principles established by the Welsh Government, which encompass the demographic, physical and social characteristics of each area, as reflected by a range of indicators. SSAs include the need to spend on the current element of revenue expenditure and the need to spend on the capital charges element of revenue expenditure. The distribution of the current element between local authorities is based on the distribution of, such as pupil numbers, population and measures of deprivation and rurality. The distribution of the capital charges element between local authorities is based on the latest available credit ceiling figure for each authority (which is essentially the level of unpaid debt) together with estimates of how this will change in the year to which the SSAs relate.</p> <p>SSAs are intended to reflect variations in the need to spend which might be expected if all authorities responded in a similar way to the demand for services in their area, and as this is the mechanism for distributing the RSG to local authorities this would enable all authorities in Wales to charge the same level of council tax for the provision of a similar standard of service.</p> <p>An authority's SSA is derived as a funding mechanism to distribute the RSG, it is not and should not be viewed as a target level of expenditure for an authority. The RSG funding is unencumbered, SSAs are not meant to be prescriptive in any way, and therefore authorities will spend at levels above and below their SSA according to decisions that have been made locally.</p>
Statement of	The Statement of Accounts provides details of the Council's financial

Accounts	<p>position over the previous financial year. Its purpose is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances. Statements of Accounts across all local authorities should reflect a common pattern of presentation, although this does not require them to be in an identical format.</p> <p>The Statement of Accounts is produced in accordance with the requirements of the Code of Practice on Local Authority Accounting in the UK (the code). The code is updated annually and in 2010/11 the code was based on International Financial Reporting Standards (IFRS) issued by CIPFA for the first time.</p>
Sub-contractors	A subcontractor is a legal person appointed by a contractor to get the contract, part of the contract or any section of the contract assigned to him to be executed.
Supplies	Consumables (e.g. paper, stationery, foodstuffs etc).
Tender List	Drawn from a previously determined select list, the list of suppliers, providers or contractors actually invited to tender
Tenderer	A potential supplier or provider or contractor.
Third Sector	Third Sector Organisations are key partners in the delivery of services on behalf of the people of Flintshire
Treasury Management	The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.
Treasury Management Strategy	The strategy for the Treasury Management activities to be adopted for a particular financial year. The strategy needs to be flexible enough to allow the Head of Finance to respond appropriately to changing circumstances during the course of the year to the best advantage of the Council.
Underspend	When referring to expenditure the actual expenditure incurred is less than the budget. Shown as a -ve. When referring to income the actual income achieved exceeds the budget. Shown as a -ve.
Unhypothesized Funding	Funding allocated without restrictions on how it should be spent.
Unhypothesized Supported Borrowing	A source of funding from the Welsh Government to finance general capital expenditure. Allocations are issued annually to each local authority as part of the Local Government Financial Settlement. The Welsh Government includes an element within the Revenue Support Grant to fund the cumulative costs of this borrowing that is classed as supported borrowing.
Unsupported (Prudential) Borrowing	Borrowing to fund capital expenditure which exceeds Welsh Government support in the Revenue Support Grant. Councils can choose to fund capital expenditure through Unsupported (Prudential) Borrowing so long as they demonstrate that borrowing is prudent, sustainable and affordable, as the ongoing revenue costs of unsupported borrowing will still need to be met from available

	resources.
Value for Money	<p>Broadly value for money is the extent to which objectives are achieved in relation to costs. It is about achieving the optimum combination of costs and benefits to an organisation.</p> <p>Value for money is more formally defined as the relationship between economy, efficiency and effectiveness.</p> <p>Economy is the price paid for what goes into providing a service</p> <p>Efficiency is a measure of productivity – how much you get out in relation to what is put in</p> <p>Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.</p>
Variance	<p>Difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected for example projected to the end of the month or financial year.</p>
Virement	<p>The transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.</p>



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**               **WEDNESDAY, 17 JULY 2013**

**REPORT BY:**       **HEAD OF ICT AND CUSTOMER SERVICES**

**SUBJECT:**           **CONTRACT PROCEDURE RULES**

### **1.00 PURPOSE OF REPORT**

1.01 For Audit Committee to consider and comment upon the revised Contract Procedure Rules (CPRs) prior to consideration by Constitution Committee and approval by County Council.

### **2.00 BACKGROUND**

2.01 The Council's CPRs set the framework under which all procurement activity is undertaken. In the event of statutory or other legal requirement exceeding the requirements contained within these CPRs, then statute shall take precedence over any provision in these CPRs.

2.02 Procurement is the process by which the council manages the acquisition of all its goods, services and works of any kind. It includes the identification of need, consideration of options, the actual procurement process and the subsequent management and review of the contracts.

### **3.00 CONSIDERATIONS**

#### **National Context**

3.01 In the Compact for Change between the Welsh Government and Welsh local government there was an agreement that a national set of CPRs would be developed for Local Government in Wales. As a result of this work, any local drafting of CPRs had been put on hold by a number of Councils across Wales.

3.02 This national work has been led by officers from the Welsh Local Government Association (WLGA) in conjunction with a working group of procurement managers.

3.03 Following several meetings of the working group a draft national set of CPRs was developed, which was then presented as part of a formal consultation exercise amongst several professional stakeholder

groups e.g. Procurement Network Group, All Wales Treasurer's Group, Regional Internal Audit Contracts Groups and All Wales Heads of Legal Group

- 3.04 During the consultation period, it was clear that there was resistance at an individual local authority level as well as differences of opinion amongst professional groups as to what should be contained in a national set of CPRs. This has resulted in further re-drafting and documents being re-presented to the groups for further consideration, resulting in considerable delays in getting the CPR's approved on a national basis.
- 3.05 Due to the delays, it was agreed on a North Wales basis that a regional set of CPRs would be developed taking into account the national CPR principles. This joint-regional work has progressed with Flintshire working in conjunction with Anglesey, Denbighshire and Conwy Councils. This work was originally scheduled to be completed by end of March 2013.
- 3.06 However, in order to try and finalise and reach a consensus on a national set of CPR's the WLGA has taken further external legal advice in the last few months. This has resulted in a further revised CPR document being distributed for consideration.
- 3.07 The latest revised national document has been reviewed and Incorporated where applicable into a regional CPR document.

### **Local Context**

- 3.08 Due to severe delays and issues in getting approval for a national set of CPRs, it was decided that Flintshire would take the lead in producing a regional set of CPRs, which then would be shared with the other North Wales Councils for them to adopt if they chose to.
- 3.09 The current version of the CPRs have not been reviewed and updated for several years, the following have been taken in to account in this updated set:
- National CPR principles, which were developed in conjunction with the WLGA, as part of the Compact for Change between the Welsh Government and Welsh local government.
  - Recommendations arising from FCC Internal Audit reports with respect to Procurement, Use of Consultants and Approved List Management.
  - Emerging case law in Procurement.

- Implementation of the Council's new E-procurement solution.
  - Welsh Government Procurement Policy Statement
- 3.10 These revised CPRs have been developed by a Joint Working Group of Officers from Procurement, Internal Audit and Legal & Democratic Services from Flintshire, Denbighshire and Conwy Councils working in collaboration.
- 3.11 Following consideration by this committee the CPRs will be considered by Constitution Committee on 17<sup>th</sup> July, 2013 and then presented to the County Council for adoption on 23<sup>rd</sup> July, 2013.
- 3.12 Once adopted, a series of workshops will be held in each Directorate in order to update officers on the new CPRs and to ensure officers become fully aware of their responsibilities and obligations, when undertaking procurement activities on behalf of the Council.

#### **4.00 RECOMMENDATIONS**

- 4.01 That Audit Committee endorse the revised CPRs for adoption.

#### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 These revised CPRs will ensure a consistent and compliant approach is adopted for all procurement activity across the council.

#### **6.00 ANTI POVERTY IMPACT**

- 6.01 None directly as a result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

- 7.01 None directly as a result of this report.

#### **8.00 EQUALITIES IMPACT**

- 8.01 None directly as a result of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

- 9.01 None directly as a result of this report.

#### **10.00 CONSULTATION REQUIRED**

- 10.01 None

## **11.00 CONSULTATION UNDERTAKEN**

11.01 Consultation has taken place with Legal and Internal Audit colleagues, Corporate Management Team and Directorate Senior Management.

## **12.00 APPENDICES**

- Appendix 1 - Summary of key amendments / changes between the new CPR's and the current CPR's
- Appendix 2 - Copy of the proposed new Contract Procedure Rules

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

**Contact Officer:** Arwel Staples, Acting Head of Procurement  
**Telephone:** 01352 702704  
**Email:** [arwel.staples@flintshire.gov.uk](mailto:arwel.staples@flintshire.gov.uk)

## Appendix 1

### Summary of key amendments / changes between the new CPR's and the current CPR's

<b>Contract Procedure Rules clause</b>	<b>CPR section</b>	<b>Rationale / Comments</b>	<b>Status</b>
2.8	Compliance with CPR's & Legislation	Recognise that schools will have their own version of the CPR's, which shall be based on these CPR's.	Addition
6.1 & 6.2 & 6.3	Electronic Procurement Solutions	To ensure that all procurement activities are undertaken on the Proactis e-procurement solutions, once the service areas have had all modules implemented. The use of any other e-procurement solution cannot be used without prior approval from Head of Procurement.	Addition
7.1 & 7.2	Corporate Purchasing Agreements and Joint Procurement Arrangements	Cabinet approval required to join membership of official purchasing consortiums. Joint procurement arrangements (excluding framework agreements) with other public sector organisations to require prior approval from either Chief Officer or Cabinet subject to contract vales.	Amendment
7.3	Corporate Purchasing Agreements and Joint Procurement Arrangements	Use of Corporate Purchasing Agreements as approved by Head of Procurement to be mandatory unless justification not to use them can made, which shall require HOP agreement.	
9.3	Exemptions from Contract Procedure Rules	Provision for Clwyd Pension Fund to be exempt from CPR's	Addition
10.2 (n)	Exemption from Tendering Requirement	Exemption from Tendering has been extended to cover provision for existing social care contracts that are due to be re-	Amendment

		tendered. This will allow for a justification to be made based provided a number of the criteria can be demonstrated in order to defend a Judicial Review challenge.	
10.3	Exemption from Tendering Requirement	Tender Exemptions can only be approved by Chief Finance Officer or Monitoring Officer depending on contract values. The approval of Cabinet for tender exemptions above £1m has been deleted, but has been replaced with a requirement for Cabinet Member consultation. This change will streamline a burdensome process e.g. cabinet report based on a technical judgement .	Amendment
10.6	Exemption from Tendering Requirement	Contracts deriving from single Tender actions, still need to be procured and evaluated on the e-sourcing solution.	Addition
11.0 (Various)	Council Approved Lists	Use of approved lists shall be restricted to contracts up to £25,000 (Goods & Services) and £250,000 (Works). There is a requirement from the Welsh Procurement Policy from Welsh Government that all procurements above £25,000 to be subject to public advertisement. The use of Approved Lists will require approval of Head of Procurement. Tender lists created from Approved Lists shall be created by a combination of random selection as well as from existing contractors who have performed to satisfactory standards. The 50% turnover restriction on the contract amount that can be allocated to contractors has been deleted, based on policy guidance from Cabinet Office.	Amendment

		Various changes have been incorporated in order to implement a number of Internal Audit Recommendations arising from the Approved List Management Audit.	
14.2	Procurement Plan Checklist Approval	All individual procurement projects above £100,000 will require a procurement plan checklist to be completed and approved as a minimum by Head of Procurement, prior to undertaking any market testing. This new process will ensure that procurement projects are procured in a robust manner and be compliant with these CPR's, OJEU rules, Welsh Procurement Policy and general procurement best practice. There will need to be extra approvals in respect of projects involving ICT, Property and Temporary staff and Interim staff (excluding Matrix). All projects below £100,000 will also require the completion of the Procurement Plan Checklist and shall be retained on contract file. However, only projects relating to ICT, Property / Works and HR need prior approval.	Addition
15.1	Sustainable Procurement	All contracts above £2,000,000 will need to consider community benefits including social, environmental and economic factors. All contracts below £2,000,000 will also need to consider these factors on an optional basis. This is in alignment with the Welsh Procurement Policy.	Addition
15.4 & 15.5	Sustainable Procurement	All contracts above £100,000 for Goods and Services shall also complete the Sustainable Risk Assessment template. This is in alignment with the Welsh Procurement Policy. However	Addition

		the Head of Service will have the option of including sustainable procurement requirement in Tenders, subject to the perceived financial considerations.	
16.0 & 20.0	Contracts less than £10,000 (Goods & Services)  Contracts less than £10,000 (Works)	Request for Quotations can now only be used for contracts up to £10,000, which shall where it's not practical only require only a single quotation to be obtained. However value for money still needs to be demonstrated.	Amendment
18.0	Contracts valued between £25,001 and OJEU threshold	All contracts for goods and services above £25,000 shall be subject to a public advertisement as per Welsh Procurement Policy, unless an exemption is approved by the Head of Procurement.	Addition
21.0 & 22.0	Contracts valued between £10,000 and £25,000 (Works)  Contracts valued between £25,001 and £250,000 (Works)	Approved Lists for Works can only be used up to £250,000. A public advertisement will be required generally for all contracts above this value. This is a deviation on the Welsh Procurement Policy for practical reasons in dealing with high volume of bids from construction contractors.	Amendment
27.0 & 27.2 & 27.4	Tender Opening	All tenders above £10,000 shall be opened at the same time and place after the closing time for receipt of bids has elapsed. Currently quotations up to £30,000 can be opened as they are received. This is a perceived risk that could allow officer collusion with suppliers and lead to fraud. All Tenders shall be undertaken on the e-sourcing solution (where available). All Tenders will now be opened at the same time by TWO designated officers (one of which shall be independent of the project) as selected by	Amendment



		Head of Service. There will be no further requirement for Officers from Legal and Democratic Services to be involved. The introduction of e-sourcing will prevent any tampering of any tenders, since the tender are locked once submitted electronically.	
28.3	Late Invitation to Tenders Received	Late bids may be still considered, providing the other bids have not been opened, subject to Monitoring Officer approval based on exceptional circumstances.	Amendment
29.1 & 29.2 & 29.3	Tender Evaluation	All Tenders above £100,000 shall be evaluated on price and quality. Price only evaluation can only be used for contracts below £100,000. When tenders are evaluated based on price and quality a tender evaluation team shall be arranged consisting of at least two officers. For OJEU tenders, the Corporate Procurement Unit will need to oversee the evaluation process.	Amendment
30.2	Post Tender Negotiation	A minimum of TWO officers needs to be involved in any tender negotiation for sub – OJEU tenders.	Amendment
31.0 & 31.2 & 31.5	Tender Award Approvals	Tender Award approvals have been changed to include the need for Head of Service, Monitoring Officer and Chief Finance Officer approval subject to contract values. The need for Cabinet approval for contracts above £1m has been deleted, although Cabinet Member consultation is required consultation with various stakeholders. This change has been undertaken in order to streamline the process, which is based on technical judgement. This new process will also	Amendment

		ensure that a robust quality assurance process is in place regarding tender awards, since there is an increasing risk of supplier legal challenges. All contract awarded will be required to be inputted onto a corporate contract register.	
33.1	Letter of Intent	Letters of Intent may only be used in exceptional circumstances after approval being obtained by Monitoring Officer.	Amendment
34.3	Non-concluded Terms of Conditions of Contract	The Council should not enter into contracts on the suppliers terms and conditions, without upfront approval of the Monitoring Officer.	Addition
35.1	Contracts in Writing	There is a change to the contract values in respect of contracts executed under seal. This new value is £250,000, where the previous value was £100,000. Please note there are other criteria included. FCC contract value was substantially lower than other North Wales Councils e.g. CCBC had a value of £1 million.	Amendment
35.2 & 35.3 & 35.4	Contracts in Writing	There will be a requirement for formal form of agreements to be developed and signed for various contract values. This addresses the current issues, whereby majority of contracts are not signed by both parties, and use of standalone purchase orders is not deemed robust.	Amendment
35.6	Contracts in Writing	All contracts above £10,000 shall be stored and retained by Legal and Democratic Services, since there are historical examples of contracts being sent out in Directorates and contracts have commenced before the return of signed contracts from contractors. All	Addition

		hard copy of contracts shall held by Legal Services, with responsibility of Directorates to ensure scanned contract copies are held on corporate contract register on the e-sourcing solution.	
38.2	Contract Management	All contracts that are strategically critical / high risk, high value or high profile shall be subject to monthly contract reviews.	Addition
39.1 & 39.2	Contract Performance	Contracts shall be subject regular performance reviews and if practical at the end of each contract / job a performance review shall be carried out to identify good and bad contractor performance, as well as identifying complaints etc.	Amendment
40.0	Termination of Contract	Changes to how Termination of Contracts can be approved. Now 2 levels including Head of Service and the Monitoring Officer.	Addition
41.1 & 41.3	Contract Variations	Changes to Contract Variation approvals. Now 3 levels Head of Servicer, Monitoring Officer and Chief Finance Officer subject to contract and variation values. The same 3 levels are consistent with other clauses e.g. Tender Award. Cabinet is no longer required to approve contract values including variations above £1m. Contracts below £250,000 including variations can be approved by Head of Service.	Amendment
42.8	Contract Payments	The Responsible Officer approving invoices should be different to the Responsible Officer engaging the contractor to ensure proper segregation of duties.	Addition

45.0	Land Contracts	Changes to reflect case law on Development Agreements, which may be subject to OJEU regulations.	Amendment
46.1 & 46.2	Use of Consultants	Use of consultants to be approved by Head of Service and all approvals shall be recorded on a central corporate register of consultants. Various other changes included in order to incorporate the Internal Audit Recommendations from the Consultancy Audit.	Amendment
47.0	Retention of Contract Files	Changes to reflect need to retain WEFO funded projects for 20 years.	Amendment

## **APPENDIX 2**

### **CONTRACT PROCEDURE RULES**

#### **General**

1. Interpretation
2. Compliance with Contract Procedure Rules and Legislation
3. Officers' and Members Duties
4. Declaration of Interests
5. Scheme of Delegation
6. Electronic Procurement Solutions
7. Corporate Purchasing Agreements (including use of Framework Agreements) and Joint Procurement arrangements (including membership of official purchasing consortiums)

#### **Exemptions**

8. Exempt Contracts
9. Exemptions from Contract Procedure Rules
10. Exemption from tendering requirement

#### **Approved List**

11. Council Approved Lists and Vetting of Contractors

#### **Procurement Planning**

12. Contract value and Aggregation
13. Pre-Tender Enquiries
14. Purchasing Need and Procurement Planning Approval
15. Sustainable Procurement

#### **Quotations and Tenders**

16. Contracts valued at less than £10,000 (Goods & Services)
17. Contracts valued between £10,001 and £25,000 (Goods & Services)
18. Contracts valued between £25,001 and OJEU Threshold (Goods & Services)
19. Contracts valued over OJEU Threshold (Goods & Services)
20. Contracts valued at less than £10,000 (Works)
21. Contracts valued between £10,001 and £25,000 (Works)
22. Contracts valued between £25,001 and £250,000 (Works)
23. Contracts valued over £250,001(Works)
24. Timescales for receiving Requests for Quotes and Tenders
25. Request for Quotes and/or Invitation to Tender Documentation
26. Tender Specifications
27. Tender opening
28. Late Tenders received
29. Tender Evaluation and alterations
30. Post Tender Negotiations and Tender Bid Clarifications
31. Request for Quotes /Tender Award Approvals
32. Notification of Tender Award and De-briefing Requests
33. Letters of Intent
34. Non-concluded Terms and Conditions of Contract

**Form of Contract**

- 35. Contracts in Writing
- 36. Bonds, Securities, Liquidated and other Damages
- 37. Parent Company Guarantee

**Operation of Contract**

- 38. Contract Management
- 39. Contract Performance
- 40. Termination of Contract
- 41. Contract Variations and Contract Extensions
- 42. Contract Payments
- 43. Assignments and Novation
- 44. Nominating Products/Contractors/Suppliers

**Specific Contracts**

- 45. Land Contracts
- 46. Use of Consultants.

**Other**

- 47. Retention of Contract Files
- 48. Review and Amendment of the CPR's

**Schedule 1 Table of Values**

## GENERAL

### 1. Interpretation

1.1 In these Contract Procedure Rules, the following terms have the following meanings:

Approved List	a List drawn up for corporate use under CPR 11
Chief Finance Officer	Head of Finance
Code of Conduct	the Code regulating the conduct of officers and members as set out in the Constitution
Contract	an agreement for the supply of goods, or services, or concessions or the execution of works
Contract File	a record of all matters relating to the contract
Contractor	a supplier of goods or services or concessions or Works to the Council
Corporate Purchasing Agreement	a contract or framework agreement which has been endorsed and approved for corporate use by the Head of Procurement and its use shall be mandatory
CPR's	these Contract Procedure Rules
Day	a calendar day unless otherwise specified
Director	Chief Executive or any other Director of the Council
EU	European Union
EU contract	a contract covered by the Public Contracts Regulations 2006
Framework Agreement	an agreement which allows a Responsible Officer to call off or undertake a mini competition to provide goods, services or

works in accordance with the terms of the agreement. The Framework Agreement usually constitutes a non-binding offer with no obligations to call off from the contractor. If the Council calls off from the contractor a binding contract comes into being.

Head of Procurement	the officer who is designated to have responsibility for the Corporate Procurement Unit
Head of Service	Head of Service of the relevant Council Service Area
Invitation to Tender	invitation to tender documents in the form required by these Rules
Monitoring Officer	the officer designated by the Council as its Statutory Monitoring Officer from time to time
Month	means a calendar month
OJEU	Official Journal of the European Union incorporating the Public Contracts Regulations 2006
OJEU threshold	the values that are determined by the European Union every two years, which are shown in schedule 1 of these Rules
Quotation	a quotation of price and any other relevant matter made without the formal issue of an invitation to tender;
Relevant Head of Service	the Head of Service whose Directorate or Department is responsible for the procurement exercise in question
Responsible Officer	any permanent or temporary staff member or any other person properly authorised by the Council to carry out any of the Council's contracts functions
Sub-OJEU	the values below the threshold that are determined by the European Union every two years, which are shown in schedule 1 of these



## Rules

Table of Values	the table maintained and updated by the Monitoring Officer as identified in Schedule 1
Tender	a Contractor's formal proposal submitted in response to an invitation to tender
Value for Money	means the optimum combination of whole life costs, quality and benefits to meet the Council's requirement. Such term equates to the EU procurement requirement of "most economically advantageous offer"
Working day	means any day other than a Saturday or a Sunday or a day which is a bank or a public holiday throughout Wales

1.2 Any reference to actions within these CPR's can also be undertaken by officers with the appropriate delegated authority to carry out such tasks, provided such delegated authority has been granted by the named individual.

1.3 Unless the context otherwise requires, reference to any clause, sub-clause or schedule is to a clause, sub-clause or schedule of or to these Rules.

1.4 Under these Rules, periods expressed as a certain number of days from a particular event run from the day following the day on which the event takes place. If the last day of the period falls on a Saturday, Sunday or a public holiday it will end on the next working day.

1.5 Periods will include public holidays and weekends unless these are expressly excluded or the periods are expressed as a certain number of working days.

1.6 The Monitoring Officer may amend any minor or consequential changes or any amount shown in £ sterling in these Rules (other than the Table of Values), subject to Article 19.02 of the Constitution.

## **2. Compliance with Contract Procedure Rules and Legislation**

2.1 These Contract Procedure Rules apply to all contracts entered into by or on behalf of the Council with the intention of procuring goods, services, concessions or works.

2.2 The Head of Procurement, Monitoring Officer or Chief Finance Officer

shall advise on the implementation and interpretation of the Council's Contract Procedure Rules.

2.3 Every contract entered into by the Council or on its behalf shall be entered into pursuant to, or in connection with, the Council's functions and shall comply with:

- (a) all relevant statutory provisions
- (b) the relevant EU law and the EU public procurement rules (including the EC treaty, the general principles of EU law and the EU public procurement directives implemented by the UK regulations)
- (c) the Council's constitution including these CPR's and the Council's Financial Procedure Rules
- (d) schemes of delegation
- (e) the Council's strategic objectives and policies,
- (f) the Council's Corporate Procurement Strategy and any other relevant Council policies

2.4 Should there be a conflict between the provisions of the Council's Contract Procedure Rules and any provision of an EU directive or any domestic legislation, the latter shall prevail.

2.5 It shall be a condition of any agreement between the Council and anyone who is not an officer of the Council including Temporary Agency staff and Consultants, but who is authorised to carry out any of the Council's contracts functions, that they comply with the Council's Contract Procedure Rules and Financial Regulations as if they were an officer of the Council.

2.6 Any failure by officers / members to comply with any of the provisions of these Contract Procedure Rules or Financial Regulations or associated guidance adopted by the Council or UK and European legal requirements may result in disciplinary action.

2.7 All failures to comply with these CPR's by officers or consultants shall be reported immediately to the relevant Head of Service / Director or Chief Finance Officer or Head of Procurement or Internal Audit Manager. All failures to comply by Members shall be reported immediately to the Monitoring Officer.

2.8 Arrangements for Contracts made by schools operating under local management arrangements shall not be subject to these CPR's but shall be subject to their own Contract Procedure Rules.

### **3. Officers' and Members Duties**

- 3.1 The highest standards of probity are required of all officers and Members involved in the procurement, award and management of Council Contracts.
- 3.2 Officers shall always:
- (a) seek value for money
  - (b) show no undue favour to any contractor, nor discriminate against any contractor
  - (c) ensure that all procurement is in accordance with the highest standards of propriety and proper practice (including respecting the confidentiality of commercial information)
  - (d) do nothing that contravenes EU or domestic law
  - (e) ensure that adequate Contract Files are kept for Contracts upon which they are engaged
  - (f) ensure that Contracts are packaged to ensure Best Value for Money
- 3.2 As a general rule, Members and officers must not accept from Contractors or potential Contractors, or from any firm or organisation with whom the Council has had, is having or may have any dealings of any kind,
- (a) any gift; or
  - (b) any hospitality

Without the written authorisation of the Head of Service / Director who is responsible for that officer, or in the case of Members, unless the matter has been reported to the Monitoring Officer.

- 3.3 Members shall comply with the Member's Code of Conduct and Officers shall comply with the Officers Code of Conduct
- 3.4 Members and officers may seek advice from the Monitoring Officer in respect of any matter arising out of CPR 3.2

#### **4. Declaration of Interests**

- 4.1 No member, employee or agent of the council shall improperly use their position to obtain any personal or private benefit from any contract entered into by the council
- 4.2 The following shall declare any interests which may affect the contract process;
- (a) all officers who play an influential role in any aspect of the contracts process, including those designated under a scheme of delegation in CPR 5.3;
  - (b) Cabinet Members involved in the contract process;

- (c) external consultants.
- (d) anyone else who is not an officer of the Council but who is authorised to carry out any of the Council's Contract Functions

4.3 Head of Service / Director shall ensure that Cabinet Members, Officers, Consultants and anyone else who is not an officer of the Council appointed or agreed by them make declarations on their appointment and on any change in circumstances (and annually in the case of officers), and shall either certify them as acceptable or take any necessary action in respect of potential conflicts of interest.

4.4 Head of Service shall keep a register of declarations indicating the names and grades of those declaring and the nature of their declaration. Responsible Officers shall keep completed consultants' declarations on the Contract File. All declarations shall also be recorded on the e-sourcing solution (where available).

## **5. Scheme of Delegation**

5.1 Any procurement carried out on behalf of the Council may only be undertaken by officers with the appropriate delegated authority to carry out such tasks.

5.2 Each Head of Service / Director shall receive from Cabinet delegated powers from General Scheme of Delegation of Executive and non-Executive functions to Officers, to enter into contracts (CPR 31), to grant waivers and exemptions (CPR 8, CPR 9 and CPR 10) and to approve contract variations (CPR 41) on behalf of the Council to specified financial limits.

5.3 Each Head of Service shall compile and maintain a scheme of delegation specific to their Department, detailing the names and grades of officers approved for the purposes of obtaining quotations, tendering, entering into contracts and placing orders on behalf of the Council and the maximum contract/ order value allocated to each officer for these purposes.

5.4 Each Head of Service shall supply to and agree with the Head of Procurement their scheme of delegation before the start of each financial year, and on making any amendment.

5.5 The Head of Procurement shall keep a register of all schemes of delegation and shall ensure the appropriate scheme of delegation is replicated within the purchase to pay solution (for ordering, receipting and payments) and the e-sourcing solution (for sourcing and contracting).

## **6. Electronic Procurement Solutions**

- 6.1 All purchase-to-pay processes including requisitioning, ordering, receipting and invoice payments shall be conducted via the corporate purchase-to-pay solution (where available), which has been approved by the Head of Procurement.
- 6.2 All e-sourcing processes including request for quotations, tendering, e-auctions, contract management, supplier performance management and approved list management shall be conducted via the corporate e-sourcing solution (where available), which has been approved by the Head of Procurement.
- 6.3 The use of any alternative e-procurement solutions cannot be carried out without the prior approval of the Head of Procurement.
- 7. Corporate Purchasing Agreements (including use of Framework Agreements) and Joint Procurement arrangements (including membership of official purchasing consortiums)**
- 7.1 Any membership of an official purchasing consortium which requires upfront Council commitment shall be approved by Cabinet prior to the involvement by or on behalf of the Council.
- 7.2 Any joint procurement arrangement, with any other public sector organization that results in the Council being committed to contractual obligations (not including Framework Agreements) shall be approved in the following manner prior to the commitment stage:
- 7.2.1 by the Head of Service / Director based on a report from the Responsible Officer having consulted with the Chief Finance Officer and Head of Procurement if the Council's estimated overall contribution over the contract duration is less than £250,000
- 7.2.2 by the Head of Service / Director based on a report from the Responsible Officer having consulted with the Chief Finance Officer and Head of Procurement and relevant Cabinet Member, if the Council's estimated contribution over the contract duration is over £250,000 and less than £1,000,000
- 7.2.3 by Cabinet based on a report from the Head of Service having consulted with the Chief Finance Officer and Head of Procurement, if the Council's estimated contribution over the contract duration is over £1,000,000
- 7.3 The use of the following Corporate Purchasing Agreements as endorsed by the Head of Procurement shall be mandatory, unless a justification not to use them has been made in writing and has been approved by the

Head of Procurement:

- Corporate Purchasing Agreements resulting from the National Procurement Service or any other approved Official purchasing consortiums
- Any other Framework Agreements and any subsequent call-off arrangements,
- Joint Procurement Arrangements,
- Electronic catalogues within the purchase-to-pay solution and
- Contracts listed within the corporate contract register

7.4 The use of any Framework Agreements and /or Joint Contracts resulting from a procurement exercise involving other public bodies as the lead authority shall be approved by the Head of Procurement prior to using such arrangements. All such requests shall be made in writing to the Head of Procurement, and once approved the responsible officer shall ensure that the Framework Agreements and/or Joint Contracts shall be inputted onto the Corporate Contract Register within the e-sourcing solution (where available).

7.5 The Head of Service will ensure that the CPR's or equivalent of the lead authority / body will be acceptable to the Council and are to be followed throughout the procurement exercise.

## **EXEMPTIONS**

### **8. Exempt Contracts**

8.1 Exemptions are where contract procedure rules do not apply to certain contracts

8.2 The following contracts are exempt from the requirements of these CPR's:

- (a) individual agency contracts for the provision of temporary staff;
- (b) employment contracts;
- (c) contracts relating solely to disposal or acquisition of an interest in land with exception to Development Agreements (see CPR 45 ),
- (d) internal purchases or service provision
- (e) contracts formalising the funding of particular voluntary sector bodies, where the purpose of the contract is to provide Grant in Aid funding by the Council;
- (f) contracts for the engagement of Counsel;
- (g) contracts for the engagement of Expert Witness;

### **9. Exemptions from Contract Procedure Rules**

- 9.1 Waiver is where the Contract Procedure Rules are partly suspended to enable a particular course of action. This does not obviate the need to ensure that adequate and robust process is undertaken in accordance with the principles of these Contract Procedure Rules. The Council's rules and guidance will still apply.
- 9.2 Waiver from any Contract Procedure Rules requirements including obtaining quotations or tendering based on any reason that is not listed in CPR 10.2 can only be obtained from Chief Finance Officer or Monitoring Officer in accordance with CPR 10.3.
- 9.3 The Council (as lead authority for the Clwyd Pension Fund) has adopted these Contract Procedure Rules unless other actions are required by Government LGPS Regulations for England and Wales or they do not apply within the governance arrangements for a local government pension fund, Monitoring compliance is the responsibility of the Chief Finance Officer in the role of Treasurer and Administrator to the Fund

## **10 Exemption from Tendering Requirement**

- 10.1 Exemption from Tendering is where the requirement to seek market competition as per CPR 17, 18, 19, 21, 22 & 23 is suspended provided a justification can be demonstrated as per CPR 10.2
- 10.2 Where an exemption is sought by an Responsible Officer in respect of obtaining tenders (CPR 10.2), a report must be provided setting out the reason for requiring the exemption and to notify which exception under CPR 10.2 is applicable. The responsible officer shall consult with the Head of Procurement in preparing the report and the report shall also include a statement from Chief Finance Officer.

In order to justify an exemption it will need to demonstrate that one or more of the following reasons is applicable:

- (a) In the absence of tenders, suitable tenders (irregular or unacceptable) or applications in response to an invitation to tender by the contracting authority using the open procedure or the restricted procedure but only if the original terms of the proposed contract offered in the discontinued procedure have not been substantially altered.
- (b) The contract involved is purely for the purpose of research, experiment, study or development under the conditions stated in Public Contracts Regulations 2006
- (c) The works/goods/services can be provided only by a particular contractor for reasons that are technical, artistic, or connected with the protection of exclusive rights.

- (d) Extreme urgency brought about by events unforeseeable by the contracting authority and in accordance with the strict conditions stated in the Public Contracts Regulations 2006.
- (e) Additional works/deliveries/services are ordered under the strict conditions stated in Public Contracts Regulations 2006, which do not exceed 50% of the value of the original contract and are required which, through unforeseen circumstances, were not included in the original contract and which either are strictly necessary for the completion of the contract or, for technical or economic reasons, cannot be carried out separately;
- (f) New works/services, constituting a repetition of existing works/services and ordered in accordance with the strict conditions stated in the Public Contracts Regulations 2006. Such that new works or services are required which are a repetition of works or services carried out under the original contract (provided in the case of EU contracts they are required within three years of the original contract and the contract notice stated that a new contract might be awarded by negotiation);
- (g) That goods are required as a partial replacement or addition to existing goods or installations and obtaining them from another contractor would result in incompatibility or disproportionate technical difficulties in operation or maintenance;
- (h) That the rules of a design contest require the contract to be awarded to one of the successful candidates, provided all successful candidates are invited to negotiate;
- (i) For supplies quoted and purchased on a commodity market or for the supply of goods or materials the goods or materials are proprietary articles or are sold at a fixed price and no reasonable satisfactory alternative is available;
- (j) For the purchase of supplies on particularly advantageous terms from a supplier which is definitely winding up its business activities, or from the receivers or liquidators of a bankruptcy, an arrangement with creditors or a similar procedure.
- (k) Where delay attributable to the tendering process would, in the estimation of the Head of Service concerned, result in the Council incurring net expenditure or forfeiting net income in excess of the savings on the contract sum that might reasonably be expected to accrue from competitive tendering;
- (l) The engagement of actors and performers
- (m) Where the delay attributable to the Tendering process would create or increase danger to life or limb or would, in the opinion of the Head of Service / Director concerned, result in or continue an unacceptable level or standard of service.



- (n) that services are required which are categorised as Part B Health and Social Services in accordance with EU and UK legislation, and which represent a clear continuation of specific services required under an existing contract, and that a decision to both exempt the required services from obtaining quotations or tendering and award a new contract to the existing contractor **can** be justified as reasonable following **a balanced consideration in conjunction with guidance from the Monitoring Officer on the relevant public law principles, of the extent to which the new requirement meets the following criteria:**
- i. evidence demonstrates that obtaining quotations or tendering for the required services is unlikely to secure significant improvements in value for money, or else is unlikely to secure sufficient improvement in value for money to justify the cost of obtaining quotations or tendering, or else any likely improvement in value for money will be outweighed by the potential cost of changing contractor;  
*and/or*
  - ii. the specification for the new requirement does not differ substantially from that of the existing contract;  
*and/or*
  - iii. the contract terms and conditions of the new requirement do not differ from those of the existing contract except where required by changes to the Authority's Financial Regulations (including these Contract Procedure Rules) or relevant standard contracting practices;  
*and/or*
  - iv. the equivalent annual value of the contract for the new requirement does not differ from that of the existing contract by more than +10% unless required by law;  
*and/or*
  - v. the services required have previously been tendered or been subject to competitive quotations no more than five years prior to the end of the original contract having regard to the term of the contract to be offered and the volatility of prices and quality in the relevant sector;  
*and/or*
  - vi. no more than two previous contracts for the required services have been exempted from obtaining quotations or tendering;  
*and/or*
  - vii. the performance of the existing contractor in delivering the required services under the existing contract has been monitored and assessed as satisfactory or better;

*and/or*

- viii. the quality of the required services as provided by the existing contractor under the existing contract has been assessed as satisfactory or better;

*and/or*

- ix. improvements in value for money in respect of contract specification or contract price or service quality have already been secured or else will be secured under the terms of the new contract for the required services.

*and/or*

- x. the required services, where applicable, are necessarily delivered in specific accommodation and there is a significant risk that a change in contractor would result in the loss of that accommodation to the required services or service user(s) and also a significant risk that alternative accommodation will not be secured within a reasonable and practical timescale.

*and/or*

- xi. there is a reasonable probability that obtaining quotations or tendering the required services would result in significant distress or other detriment to the welfare of the service user(s) or would reverse or undermine the attainment of successful outcomes for the service user(s).

*and/or*

- xii. any other valid and relevant considerations which may be identified by the Responsible Officer in consultation with the Monitoring Officer as pertinent to the relevant contractor.

10.3 Exemptions from tendering on the basis of one or more of the reasons listed in CPR 10.2 may be granted in the following manner:

- (a) by the Chief Finance Officer, based on a written report from the Head of Service having consulted with the Head of Procurement and the Monitoring Officer, if the contract value is under £250,000;
- (b) by the Monitoring Officer, based on a written report from the Head of Service, having consulted with the Head of Procurement and the Chief Finance Officer, if the contract value is between £250,000 and £1,000,000.
- (c) by the Monitoring Officer and Chief Finance Officer, based on a written report from the Head of Service having consulted with Head of Procurement, Other Statutory Officer and Portfolio Lead Member if the contract value is over £1,000,000.

The Chief Finance Officer and Monitoring Officer in consultation with Head of Procurement may agree blanket exemptions in relation to frequently occurring exemptions of a similar nature.

10.4 No exemptions may be granted:

- (a) which would result in a breach of European or domestic law;
- (b) from CPR 3 (Officers' duties), CPR 4 (Declaration of Interests); CPR 5 (Scheme of Delegation), CPR 7 (Corporate Purchasing Agreements and Joint Procurement Arrangements);
- (c) from CPR 41 requiring approval of certain contract variations.

10.5 Exemptions from the CPR's can only be granted in the following circumstances:

- (a) at the direction of the Chief Finance Officer and Monitoring Officer subject to CPR 10.2 and CPR 10.3; or
- (b) in order to meet the requirements of European Union legislation or any domestic legislation including any regulations or directives from the National Assembly for Wales.

10.6 All single Tenders resulting from Exemption from the CPR's, Exemption from tendering or CPR waivers, shall be procured and evaluated via the e-sourcing solution (where available).

10.7 Each Head of Service shall keep a copy of the approved exemptions and waivers granted in respect of their Department, detailing the nature and value of the contract, the circumstances justifying the approval and the name of the contractor awarded. A central register of the same information will also be held on the Corporate Contract Register via the e-sourcing solution (where available).

## APPROVED LISTS

### 11. Council Approved Lists and Vetting of Contractors

- 11.1 Quotations and Tenders for contracts which are not subject to EU Thresholds may be invited from Contractors included on the Council's Approved Lists.
- 11.2 The use of Approved Lists for various category spend areas will need the prior approval from the Head of Procurement and must be sought prior to set up or adoption of an Approved List.
- 11.3 All Approved Lists shall be compiled and maintained by named officers via the Approved List Management module within the e-sourcing solution (where available).
- 11.4 The Council's Approved Lists shall include all contractors that meet the Council's pre-qualification questionnaire requirements only and must not include any commercial / pricing elements.
- 11.5 Council Approved Lists shall:
  - (a) be compiled for any goods, services or works categories as the relevant Head of Service may require up to the contract value of £25,000 (Goods and Services) and £250,000 (Works). Higher contract values can only be undertaken with prior approval of the Head of Procurement
  - (b) include contractor who must have expressed and submitted a written request for the inclusion on the Council Approved List.
  - (c) indicate whether the contractors listed are approved for all contracts or for only some of the specified categories, values or amounts
  - (d) be publicly advertised and reviewed in full at least every three years. A public advertisement must be advertised as a minimum either on the Council's own website/National Procurement Website, or at least one local newspaper circulating in the locality or in at least one appropriate trade journal
  - (e) be open to receive new expressions of interest from any contractor,
  - (f) be an approved list prepared by another public body providing that it has been composed in a proper manner by that body and that the Responsible Officer is satisfied that the procedure used does not conflict with the Council's procedures.

- 11.6 The financial standing of Contractors shall be subject to continuous financial monitoring through a third party financial vetting service (where available); alternatively a manual financial checking process will need to be put in place. Whenever reasonable doubts arise as to the financial standing or technical capabilities of a contractor on a Council Approved List, Framework Agreement or Contract, the appropriate Head of Service may, in consultation with the Head of Procurement, immediately suspend that contractor from the Approved List / Framework Agreement or Contract (in exceptional circumstances).
- 11.6.1 Investigations of the contractor must take place immediately. If the suspicions are confirmed, the contractor may be removed from the Approved List / Framework Agreement or, if the suspicions are dispelled, the Head of Service must immediately reinstate the contractor to the List / Framework Agreement. The Head of Procurement shall be kept informed of any decision made in respect of the contractor. In the event that a Contractor is removed from the List/ Framework Agreement, then the Corporate Management Team shall also be notified of the decision.
- 11.7 If a contractor consistently declines to tender when invited or consistently submits tenders who are so high as to suggest that the contractor is not genuinely competing for the contracts, the Head of Service shall seek an explanation from the contractor. Subject to the explanation given by the contractor, the Head of Service may consider whether removal from the List / Framework Agreement must be recommended. Such recommendation must be made to the Head of Procurement who will decide whether to remove the contractor from the List / Framework Agreement. In the event that a Contractor is removed from the List / Framework Agreement, then the Corporate Management Team shall also be notified of the decision.
- 11.8 A contractor may be removed from the List / Framework Agreement if the appropriate Head of Service considers that the contractor or its staff have breached standards of conduct that are relevant to the nature of the work performed by the contractor. Action may be taken under this paragraph even if there are no doubts about the financial standing or technical capability of the contractor. Any decision to remove a contractor from a List / Framework Agreement under this paragraph shall be reported to the Head of Procurement. In the event that a Contractor is removed from the List / Framework Agreement, then the Corporate Management Team shall also be notified of the decision.
- 11.9 In the event that is deemed that the use of a specific Framework Agreement is more beneficial than the use of an Approved List for the same category of work as per CPR 7.3, the corresponding category of work on the Approved List including the Contractors shall be removed from use.

- 11.10 The consideration and / or use of contractors which are not on an Approved List, but where an Approved Lists for the relevant category is deemed to be in place shall not be allowed, unless the contractors are subject to a separate Pre-Qualification Questionnaire vetting exercise as part of a specific Tender.
- 11.11 Contractors shall be invited to tender by random selection by using the e-sourcing solution (where available), save that up to 50% of tender shortlist may also include contractors:
- (a) who has carried out similar work or has worked on an earlier stage of the project for the Council in the last two years and there is evidence that they have demonstrated the required performance standards. Once there is sufficient feedback available on the Contractor performance standards via the e-sourcing solution (when available), the best performing contractors shall be identified for the relevant category of work, and shall be considered for the tender short-list.
- 11.12 Contractors shall be selected from within the appropriate work category or, where the contract involves several categories, from all or most of the categories needed for the work. If this does not produce the minimum number of tenderers required, contractors shall be selected from any work category under the appropriate main heading.
- 11.13 In all cases, the Responsible Officer shall demonstrate on the Contract File how they compiled the tender invitation.
- 11.14 With respect to Contractors that are on Approved Lists, Framework Agreements or that have a Contracts in place, the financial standing (see CPR 11.6), level of Insurance cover including any policy exclusions, Accreditations, level of Prosecutions any other relevant information that may be subject to change / renewal, must be continuously checked and verified by Approved List Owner, Contract Manager or responsible officer that uses the relevant Framework Agreement.

## **PROCUREMENT PLANNING**

### **12. Contract Value and Aggregation**

- 12.1 Before conducting any procurement exercise the Responsible Officer will estimate and record the total monetary value and expected cost of a proposed contract, including any contract extensions, incidental or ancillary costs, net of VAT, over the full duration of the contract (not the annual value). For construction contracts, the estimate must be produced by a suitably qualified officer.
- 12.2 Where a service or supply contract does not stipulate a total price, the

contract value shall be estimated as follows:

- (a) fixed term service contracts of up to 48 months: total consideration payable over the term;
- (b) service contracts, or contracts for the hire of goods, for an indefinite (or uncertain) period or for a fixed term of more than 48 months: consideration payable in respect of each month multiplied by 48.

12.3 The contract value of regular or renewable service or supply contracts shall be estimated either:

- (a) by aggregating the value of similar contracts for the same categories of services or supplies awarded by the Council over the previous financial year or 12 months, adjusted where possible for anticipated changes in quantity or value over the next 12 months; or
- (b) by taking the estimated aggregate value during the twelve months following the first supply or service performed, or during the term of the contract where this is greater than 12 months

12.4 A contract can not be artificially divided into two or more separate contracts, nor a valuation method selected, with the intention of avoiding these CPR's. Contracts shall be packaged to ensure best service delivery, competition and value for money.

12.5 Where a purchasing requirement is subdivided into several contracts, the estimated value of each shall be aggregated to estimate the total contract value; however:

- (a) any works contract that has an estimated value of less than the small lots provision in the Table of Values; or
- (b) any service contract that has an estimated value of less than the small lots provision in the Table of Values need not be aggregated, provided that the aggregate value of all those contracts is less than 20% of the total contract value.

12.6 The Responsible Officer must be satisfied that authority exists within the Council's approved budget for such expenditure, or will exist before expenditure is committed and that he has the delegated authority to spend from such budget.

### **13. Pre-Tender Enquiries**

13.1 Enquiries of contractors may be made before tenders are invited in order to:

- (a) establish whether goods, works or services that the Council wishes to purchase are available, and within what price range;
- (b) prepare tender documents, price estimates and contracts;

- (c) establish whether particular contractors wish to be invited to tender or quote.

13.2 In making enquiries:

- (a) no information shall be disclosed to one contractor which is not then disclosed to all those of which enquiries are made, or who are suitably invited to tender or quote;
- (b) no contractor shall be led to believe that the information they offer will necessarily lead to them being invited to tender or quote, or awarded the contract;
- (c) a written record, including notes of any meetings held, the responses and the names of all individuals present shall be kept by the Responsible Officer on the Contract File.

**14. Purchasing Need and Procurement Planning Approval**

14.1 The Head of Service shall, having established and identified a purchasing need, nominate a Responsible Officer to fully assess the purchasing need.

14.2 Before undertaking a procurement exercise, the Responsible Officer, shall ensure that:

- (a) All individual procurements projects over the value of £100,000 will require that a Procurement Plan checklist is completed by the Responsible Officer and sent to for approval to the Head of Procurement prior to undertaking any competitive market testing or negotiation.
- (b) With respect to procurement projects below the value of £100,000 a Procurement Plan checklist must still be completed and retained on contract file for inspection. Other than for Projects outlined in CPR 14.2 (c), where approval is required by the relevant Head of Service listed below, no further approval will be required.
- (c) With respect to the following specific procurement projects, additional approval to the above will be required as follows:
  - ICT procurement projects - additional approval to the above will be required from the Head of ICT & Customer Services or their designated Responsible Officer
  - Property and Works related procurement projects – additional approval will be required from the Head of Assets & Transportation or their designated Responsible Officer
  - Temporary staff Agencies (excluding Matrix) and Interim staff Agencies – additional approval will be required from Head of Human Resources & Occupational Development or their designated Responsible Officer



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## **15. Sustainable Procurement**

- 15.1 For all contracts exceeding £2,000,000 in value it will be mandatory to deliver a social, economic and environmental return on investment through the adoption of a community benefits approach.
- 15.2 For all contracts below £2,000,000 in value it will be optional to deliver a social, economic and environmental return on investment through the adoption of a community benefits approach. However, even for these contracts it will be desirable to deliver relevant community benefits.
- 15.3 All contractors that will be required to deliver Community Benefits shall be required to complete the Community Benefits Toolkit as part of their contractual requirements.
- 15.4 For all contracts over £100,000 for Goods and Services the Council shall take account of social, economic and environmental issues when making procurement decisions using the sustainable risk assessment template (SRA) as part of Procurement Plan Checklist approval (CPR 14).
- 15.5 The inclusion of Sustainable Procurement requirements arising from the Sustainable Risk Assessment (SRA) under CPR 15.4 shall be at the discretion of the relevant Head of Service, having taken into considerations any financial impact of including such requirements.

## **QUOTATIONS AND TENDERING**

### **16. Contracts Valued at less than £10,000 (Goods & Services)**

- 16.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.
- 16.2 Where practical, competition is required for contracts with an estimated value of less than £10,000. The need to obtain written request for quotation shall be at the Head of Service's discretion although this does not alleviate the Head of Service of his responsibility in being able to demonstrate that value for money has been obtained. The Responsible Officer shall obtain, where practical, a minimum of one request for quotation, which must be sourced from an Approved List of Contractors where such a list exists or alternatively if no Approved List is in place from the general list of registered suppliers on the e-sourcing solution (where available) or by public advertisement on the National Procurement Website.
- 16.3 The Request for Quotation shall be received through the e-sourcing solution (where available) or alternatively by written submissions by paper or secure locked e-mail. In the event that only ONE Request for Quotation is sought, then it can be received in writing on paper or

through e-mail which is not locked.

16.4 The Request for Quotation shall include as a minimum a technical specification, pricing schedule and Terms and Conditions.

16.5 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following acceptance of the Request for Quotation / signing of the contract.

**17. Contracts Valued between £10,001 and £25,000 (Goods & Services)**

17.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.

17.2 The Responsible Officer shall invite as a minimum three Tenders, which must be sourced from an Approved List of Contractors where such a list exists or alternatively if no Approved List is in place from the general list of registered suppliers on the e-sourcing solution (where available) or by public advertisement on the National Procurement Website.

17.3 The Tenders shall be received electronically through the e-sourcing solution (where available) or alternatively through written submissions by paper or secure locked e-mail. All Tenders received shall NOT be opened until the specified closing time and date has elapsed.

17.4 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following signing of the contract.

**18. Contracts Valued between £25,001 and OJEU threshold (Goods & Services)**

18.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.

18.2 The Responsible Officer shall invite as a minimum four Tenders which must be sourced as a minimum through a public advertisement via the National Procurement Website. Exceptions to this, shall be the use Approved Lists or the supplier directory on the e-sourcing solution (where available) by prior agreement with the Head of Procurement.

18.3 The Tenders shall be received through the e-sourcing solution (where available) or alternatively through written submissions by paper or secure locked e-mail. All Tenders received shall NOT be opened until the specified closing time and date has elapsed.

18.4 A Purchase Order Must be sent via the Purchase-to-Pay solution

(where available) following signing of the contract.

**19. Contracts Valued over OJEU threshold (Goods & Services)**

- 19.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.
- 19.2 The Responsible Officer shall invite as a minimum five Tenders which must be sourced as a minimum through a public advertisement via the National Procurement Website, which will also publish the same advertisement in the Office Journal of European Union (OJEU).
- 19.3 The Tenders shall be received through the e-sourcing solution (where available) or alternatively through written submissions by paper or through secure locked e-mail. All Tenders received shall NOT be opened until the specified closing time and date has elapsed.
- 19.4 All Tender notices for projects above the OJEU threshold (Goods and Services) shall be administered by the Head of Procurement.
- 19.5 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following signing of the contract.

**20. Contracts Valued at less than £10,000 (Works)**

- 20.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.
- 20.2 Where practical, competition is required for contracts with an estimated value of less than £10,000. The need to obtain written request for quotations shall be at the Head of Service's discretion although this does not alleviate the Head of Service of his responsibility in being able to demonstrate that value for money has been obtained. The Responsible Officer shall obtain, where practicable, a minimum of one request for quotation, which must be sourced from an Approved List of Contractors where such a list exists or alternatively if no Approved List is in place from the general list of registered suppliers on the e-sourcing solution (where available) or by public advertisement on the National Procurement Website.
- 20.3 The Request for Quotation shall be received through the e-sourcing solution (where available) or alternatively through written submissions by paper or secure locked e-mail. In the event that only ONE Request for Quotation is sought, then it can be received in writing on paper or through e-mail which is not locked.
- 20.4 The Request for Quotation shall include as a minimum a technical specification, pricing schedule and Terms and Conditions.

20.5 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following acceptance of the successful Request for Quotation/ signing of the contract.

**21. Contracts Valued between £10,001 and £25,000 (Works)**

21.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.

21.2 The Responsible Officer shall invite as a minimum three Tenders, which must be sourced from an Approved List of Contractors where such a list exists or alternatively if no Approved List is in place from the general list of registered suppliers on the e-sourcing solution (where available) or by public advertisement on the National Procurement Website.

21.3 The Tenders shall be received through the e-sourcing solution (where available) or alternatively through written submissions by paper or secure locked e-mail. All Tenders received shall NOT be opened until the specified closing time and date has elapsed.

21.4 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following signing of the contract.

**22. Contracts Valued between £25,001 and £250,000 (Works)**

22.1 The Responsible Officer shall check whether a Corporate Purchasing Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.

22.2 The Responsible Officer shall invite as a minimum four Tenders, which must be sourced from an Approved List of Contractors where such a list exists or alternatively if no Approved List is in place then from the general list of registered suppliers on the e-sourcing solution (where available) or by public advertisement on the National Procurement Website.

22.3 The Tenders shall be received through the e-sourcing solution (where available) or alternatively through written submissions by paper or secure locked e-mail. All Tenders received shall NOT be opened until the specified closing time and date has elapsed.

22.4 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following signing of the contract.

**23. Contracts Valued over £250,001 (Works)**

23.1 The Responsible Officer shall check whether a Corporate Purchasing

Arrangement is in use for the particular purchasing requirement. If so, an order shall be placed under the Arrangement accordingly.

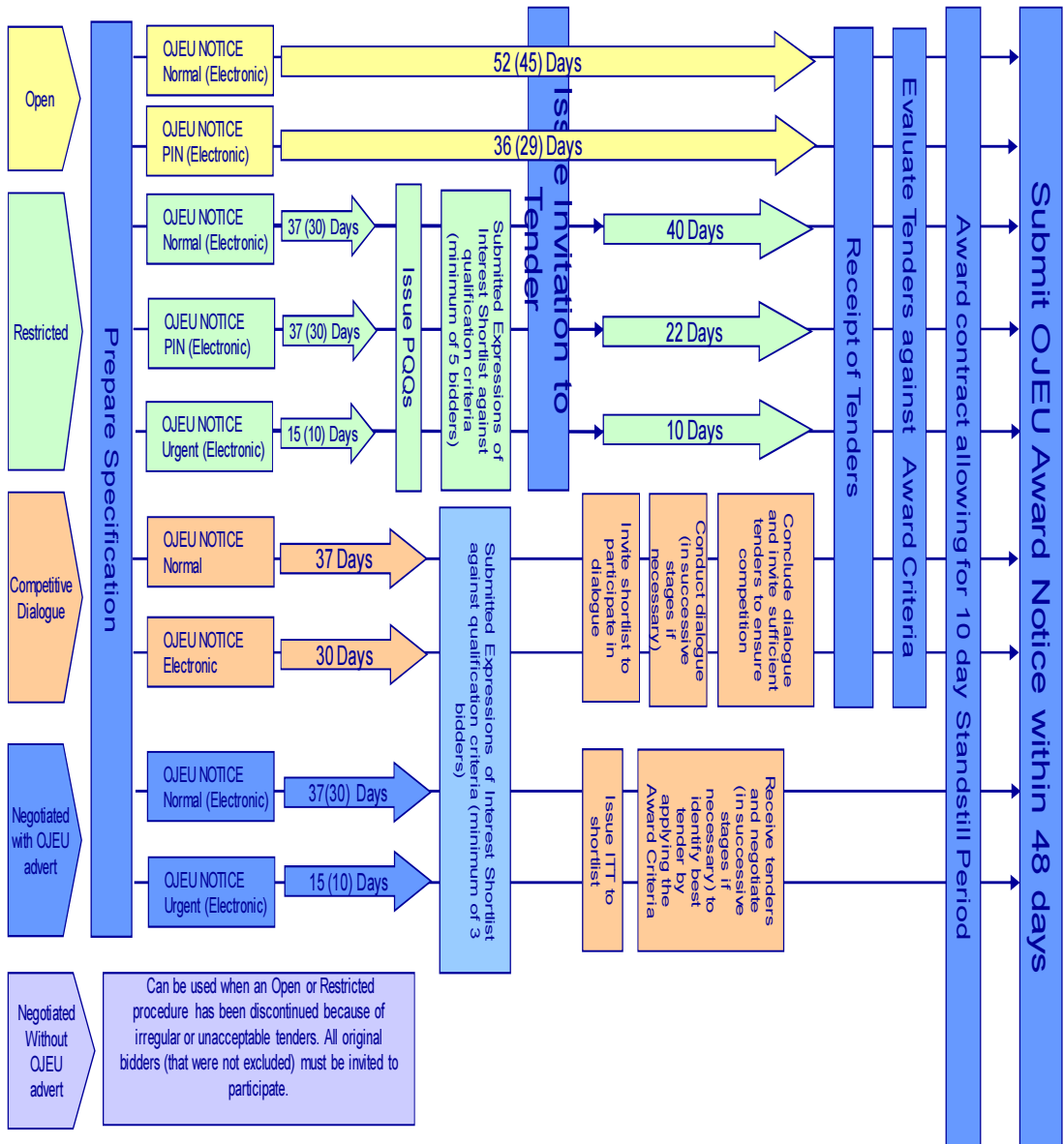
- 23.2 The Responsible Officer shall invite as a minimum five Tenders which must be sourced as a minimum through a public advertisement via the National Procurement Website. With respect to contracts above the OJEU threshold the same advertisement shall be published in the Office Journal of European Union (OJEU). Exceptions to public advertisement shall be the use of Approved Lists or the supplier directory on the e-sourcing solution (where available) only following approval from the Head of Procurement for contracts below the OJEU threshold (Works) only.
- 23.3 The Tenders shall be received through the e-sourcing solution (where available) or alternatively through written submissions by paper or secure locked e-mail. All Tenders received shall NOT be opened until the specified closing time and date has elapsed.
- 23.4 All notices for projects above the OJEU threshold (Works) shall be administered by the Head of Procurement.
- 23.5 A Purchase Order Must be sent via the Purchase-to-Pay solution (where available) following signing of the contract.

**24. Timescales for receiving requests for Requests for Quotes and Tenders**

- 24.1 For all Tenders below the OJEU threshold for Goods, Services and Works there is NO prescribed timescale duration for receipt of documentation e.g. Pre Qualification Questionnaire and / or Tender documentation, since all projects need to be assessed based on its own complexity and to allow sufficient timescales for contractors to provide suitable bids.
- 24.2 For all Tenders (Goods, Services and Works) above the OJEU threshold the timescales for various procedures MUST follow the following process chart:

# OJEU Process Chart

Click the first arrow of each procedure to link to a more detailed flowchart



Scottish Public Procurement Toolkit

## **25. Request for Quotes and/or Invitation to Tender Documentation**

- 25.1 The Invitation to Tender documentation (including Pre Qualification Questionnaire, Invitation to Tender and Award Letters) and all other procurement documentation used shall be in compliance with the corporate standard documentation as approved or amended from time to time by the Head of Procurement.

## **26. Tender Specifications**

- 26.1 The Responsible Officer shall ensure the tender specifies the quality, performance, safety and other characteristics required of the works, services, or supplies. Specifications may include requirements relating to methods of construction, design and costing, tests, testing methods, inspection and acceptance, quality assurance, packaging, marking and labelling.
- 26.2 Technical specifications shall be defined by reference to relevant European specifications or, where they do not exist, in the following order: to British technical specifications, British standards implementing international standards, other British standards and technical approvals or any other standards. Where an appropriate standard is current at the date of tender, all works services and supplies shall be at least of equal quality.
- 26.3 Specifications shall not refer to supplies of a particular make or source unless:
- (a) it is justified by the tender requirement; or
  - (b) the tender requirement cannot otherwise be described precisely and intelligibly, provided references are accompanied by the words 'or equivalent'

## **27. Tender Opening**

- 27.1 All Tenders with exception to Request for Quotations under £10,000 where there is only ONE quote invited shall be opened at the same time and place after the closing time for receipt as stated in the documents or as early as reasonably practical thereafter. The bids shall be accessed via the e-sourcing solution (where available) or alternatively by paper bids or secure locked e-mail.
- 27.2 Where the estimated value of a Contract is above £10,000, Tenders shall be opened at the same time in the presence of at least two officers of the Council designated for the purpose by the Head of Service concerned. At least one of the Officers present must be independent of the project and not had involvement in document

preparation or be involved in the evaluation of Tenders received. The Tender opening will be arranged by the Head of Service.

- 27.3 Every Invitation to Tender shall state that a Bid will only be considered if it is received by a specified time and date via the E-sourcing solution (where available) or e-mail or with respect to paper tenders in a sealed plain envelope with the word "Tender" and the name of the contract written on it. If the envelope bears any distinguishing matter or mark intended to indicate the identity of the sender, the Bid may be deemed invalid.
- 27.4 All Tenders shall be submitted via the e-sourcing solution (where available), secure locked e-mail or by paper. All paper Tenders shall be delivered to the named Head of Service who shall be responsible for the safe custody of Tenders until such time as they are officially opened.
- 27.5 On receipt, all bids received (electronically or paper based) shall be endorsed with the time and date of receipt and kept secure by the Responsible Officer until the time specified for Tender opening.
- 27.6 If a paper based Tender is opened in error, no attempt shall be made to ascertain any contents of the bid or its origin and the matter shall be reported to the appropriate Head of Service. The envelope shall be resealed immediately and signed by the designated Responsible Officer who opened the envelope and the Head of Service. If the Head of Service has reason to suspect a breach of confidentiality or irregularity has occurred, the Head of Service shall consider arranging for re-Invitation to Tender and report without delay to Internal Audit.
- 27.7 The designated persons present at the Tender opening shall record the following details of each tender:
- (a) the last date and time for the receipt of bids;
  - (b) the name of each Bidder and the amount of each bid;
  - (c) the date the Tenders were opened;

And the record shall be signed by all designated persons present at the Tender opening.

## **28. Late Tenders received**

- 28.1 Any bid received after the specified time shall be endorsed with the time and date of receipt.
- 28.2 If all other bids have been opened, the late bid shall not be considered for evaluation and shall be opened only to ascertain the name of the contractor. No other details of the Bid shall be disclosed. The Responsible Officer shall arrange for the bid to be returned (if paper based) to the Contractor immediately. A notification letter explaining



why the bid has not been considered shall be sent to the Contractor.

28.3 The late bid may be considered, providing that the other bids have not been opened and that the Monitoring Officer is satisfied:

- (a) that there is evidence that the late bid was posted / submitted in time for delivery by the due date in the normal course of postal service/ internet service or
- (b) that exceptional circumstances surrounds the submission of the late bid.

28.4 Any decision made under CPR 28.3 is to be recorded on the Contract File signed by the Monitoring Officer and a copy of the decision is to be forwarded to the Head of Procurement.

## **29. Tender Evaluation and Alterations**

29.1 All Tenders above £100,000 (Goods, Services and Works) shall be evaluated and awarded on the basis of MEAT (Most Economically Advantageous Tender) only, which shall include a combination of Price and Quality criteria, unless an Exemption to this requirement has been approved by the Head of Procurement. (See CPR 29.3)

29.2 Lowest price evaluation will only be used as an option for contracts below £100,000 and shall solely be awarded on price only in those circumstances. Any Exemption to this requirement shall need prior approval by the Head of Procurement.

29.3 Where a contract is to be awarded on the basis of Most Economically Advantageous Tender (MEAT), the Bids shall be evaluated by an Evaluation Team consisting of a minimum of TWO Responsible Officers, in accordance with the criteria stated in the Tender Evaluation documents. With respect to OJEU Tenders, the Corporate Procurement Unit (CPU) staff shall be notified of the evaluation process by the Evaluation Team and the CPU staff shall be involved in overseeing the tender evaluation process, in order to ensure robustness of process.

29.4 Any particular scoring or weighting attributable to any criteria or sub criteria must be clearly stated in the Invitation to Tender documentation. In addition, the criteria shall be strictly observed (and remain unchanged) at all times throughout the evaluation stage. It must be noted that prior disclosure of and adherence to award criteria and weightings is a fundamental requirement of the core principle of transparency. The core procurement principles (transparency, equal treatment, non-discrimination) apply even to sub-OJEU threshold procurements.

29.5 As a general rule no adjustment or qualification to any bid is permitted. Errors found during the examination of bids shall be dealt

Within one of the following ways:-

- 29.6 Where there is an error of clerical or arithmetical transcription or computation manifest upon the face of the document which would affect the tender figure in an otherwise successful tender, the tenderer shall be given details of such errors in writing and shall be allowed the opportunity of correcting those errors;
- 29.7 Where examination of Tenders reveals other errors not stated in CPR 29.6 or omissions which would affect the Tender figure, the Tenderer shall be given details of such errors and an opportunity of confirming or withdrawing its Tender. Where it is in the best interests of the Authority the Tenderer may be given the opportunity to correct its tender.
- 29.8 In relation to Works Contracts, The Relevant Responsible Officer shall be responsible for scrutinising the forms of Tender in order to identify any errors or other discrepancy affecting the validity of the Tender. Where Tender amounts are compiled from a detailed Bill of Quantities the Responsible Officer shall also scrutinise the priced Bill of Quantities supporting the lowest Tender received and any others he considers appropriate. Where scrutiny reveals a discrepancy between a Tender amount and a priced Bill of Quantities the Responsible Officer shall notify the Tenderer who shall be offered the option of either correcting the Tender amount, the rates entered in the Bill of Quantities remaining unaltered or withdrawing the Tender. If it is in the best interests of the Authority, the Tenderer may be given the opportunity to correct the Tender. Where a standard form of contract is being used, errors in the contract will be dealt with in accordance with the rule applicable to that form of contract.
- 29.9 With relation to Works Contracts, if the contractor withdraws, or the corrected bid is no longer the highest ranking bid, the bid from the next highest ranking contractor in competitive order will be called in to be examined in more detail.

### **30. Post Tender Negotiations and Tender Bid Clarifications**

- 30.1 Where the procurement is conducted pursuant to the Public Contracts Regulations 2006 through either the open, restricted or competitive dialogue procedures, no post-tender negotiations are permitted. The responsible officer may seek clarification from tenderers where appropriate in consultation with the Head of Procurement. Negotiations on price are never permissible except where the negotiated procedure or electronic auctions are used. The negotiated procedure must only be used in those exceptional cases where it is lawful to do so under the Public Contracts Regulations 2006 (Regulation 14).
- 30.2 Where Sub OJEU contracts are conducted within these CPRs (i.e. they are below the relevant OJEU thresholds) the Head of

Procurement may authorise negotiations if he/she considers that it is in the Council's interest to do so. Such negotiations must be undertaken by TWO responsible officers and must not distort competition, and it must be remembered that the core principles of transparency, non-discrimination and equal treatment apply to below-threshold contracts, therefore negotiations must be kept to a minimum. Negotiations must stay strictly within the boundaries authorised by the Head of Procurement and a written record must be kept of all negotiations and the final outcome.

- 30.3 At all times during the procurement process the Council shall ensure that all contractors are treated equally and in a non-discriminatory and transparent manner.
- 30.4 The Responsible Officer may negotiate a revised bid in the manner set out in CPR 30.2, provided the specification and terms of the contract remain substantially unaltered:
- (a) where tendering produced no tenders or inappropriate tenders, for example where the tender figure in an otherwise successful tender exceeds approved or budgeted expenditure, or where the sum has changed since tenders were invited; or
  - (b) where tendering was discontinued because of irregular bids, for example because contractors failed to meet the requirements specified in the bidding documents or offer variations on them, or the works, supplies or goods fail to meet the technical specification.
- 30.5 The Responsible Officer shall invite all contractors to amend their bids, in writing, in such matters (e.g. unit price, delivery, discounts or by removing elements of the old bill of quantities) as the Responsible Officer specifies. All negotiations shall be conducted by at least two officers of different disciplines, one of whom is not involved in the contract award. The Responsible Officer shall keep a written record of all negotiations, including notes of all meetings and the names of all individuals present.
- 30.6 Where post-tender negotiation results in a fundamental change to the specification or contract terms, then advice must be sought from the Head of Procurement or Monitoring Officer, since the contract must not be awarded but re-tendered.

### **31. Request for Quotations / Tender Award Approvals**

- 31.1 No contract may be awarded unless the expenditure involved has been included in approved estimates or on capital or revenue accounts, or has been otherwise approved by, or on behalf, of the Council. The Responsible Officer shall ensure that evidence of authority to spend and the budget code to be used is recorded on the Contract File.

- 31.2 When awarding contracts, framework agreements or mini competitions based on MEAT which are the most economically advantageous (based on price and quality criteria) or Lowest Price; Award approvals must be undertaken in the following manner:
- (a) by the Head of Service / Director, based on a written report from the Responsible Officer if the contract value is under £250,000;
  - (b) by the Head of Service / Director, based on a written report from the Responsible Officer, having consulted with the Head of Procurement, Chief Finance Officer and Monitoring Officer if the contract value is between £250,000 and £1,000,000.
  - (c) by the Monitoring Officer and Chief Finance Officer, based on a written report from the Head of Service / Director having consulted with Head of Procurement, Other relevant Statutory Officer(s) and relevant Cabinet Member if the contract value is over £1,000,000.
- 31.3 When awarding contracts, framework agreements or mini competitions based on lowest price only; Award approvals must be made to the Contractor submitting the lowest price, unless the quote or tender is deemed to be an abnormally low bid which cannot be sustainable in order to deliver the contract
- 31.4 The Responsible Officer shall following obtaining approval for Tender Award and having received no legal challenges during the “Standstill” period, ensure all Contracts are in writing as per CPR 35 and that a Purchase Order is entered on to the Purchase-to-Pay solution (where available), once the contract has been signed.
- 31.5 The Responsible Officer shall record all contracts awarded by their Department, on a Corporate Contract Register via the E-sourcing solution (where available).
- 31.6 The Responsible Officer shall send a Contract Award Notice to the OJEU within 48 days of the award with respect to an above OJEU contract and shall publish a Contract Award Note to be published on the National Procurement Website for any other contracts below the OJEU threshold. The requirement to publish a contract award notice also applies to “Part B” services contracts (such as health and social care, and legal services) where the value exceeds the relevant OJEU threshold.
- 31.7 If a contract is to be awarded to a department of the Council, a record of the contract must be published in the Corporate Contract Register on the e-sourcing solution (where available) and a Service Level Agreement must be signed between the relevant Head of Services.

### **32. Notification of Tender Award and De-briefing requests**

- 32.1 'Standstill' letters issued as part of the OJEU tender process under the Public Contracts Regulations 2006 or optionally as part of any Sub-OJEU tender process must not be issued prior to confirmation of tender award.
- 32.2 There must be a mandatory standstill period between communicating the award decision to all tenders and conclusion of the contract with respect to OJEU tenders. This standstill period shall be 10 calendar days if sent electronically or 15 days for notices sent by other methods. Where the last day of the standstill period is not a working day, the standstill period is extended to midnight at the end of the next working day.
- 32.3 With respect to tender awards involving mini competition's undertaken within a Framework Agreement or tender awards with respect to Sub-OJEU tenders, it's still advisable to include a Standstill period as per CPR 32.1 and CPR 32.2.
- 32.4 The Notification letters which are sent to any Contractor who was successful and unsuccessful at either Pre Qualification or Tender Award stage shall be sent promptly once the decision has been made at either selection or award stage. The Contractor shall be informed of the reasons for being unsuccessful and shall also be informed of the characteristics and relative advantages of the successful contractor as well as the name of contractor awarded the contract.

### **33. Letters of Intent**

- 33.1 Letters of Intent must only be used in exceptional circumstances after prior approval in writing has been obtained from the Monitoring Officer and shall only be used in exceptional circumstances as follows:
- (a) where the contractor is required to provide services goods or works prior to formal written acceptance by the Council; or
  - (b) where all the contractual terms and conditions have been agreed and there would be an unacceptable delay in waiting for the contractual documentation to be completed.

### **34. Non-concluded Terms and Conditions of Contract**

- 34.1 The council must always ensure that terms and conditions are fully agreed, by including them in the bidding documents and requiring contractors to accept them as part of the bidding process.
- 34.2 Where the Terms and Conditions of contract are not fully agreed, no contractor shall be allowed to commence delivery of goods, works or services until all Terms and Conditions have been agreed and signature or written agreement of both parties obtained.

- 34.3 The Council must in no circumstances contemplate entering into a contract on the contractor's own standard terms and conditions, or negotiate terms which are significantly different to those included or referred to at tender stage, without the prior approval of the Monitoring Officer and subject to CPR 30.

## **FORM OF CONTRACT**

### **35. Contracts in Writing**

- 35.1 The following contracts shall be in writing and executed under seal:
- (a) if the Council wishes to enforce the contract for more than six years after its end;
  - (b) where the price paid or received under contract is a nominal price or there is no consideration and does not reflect the value of the works goods or services;
  - (c) where there is any doubt about the authority of the person signing for the other contracting party;
  - (d) where it is required by law; or
  - (e) where the total value of the Contract exceeds £250,000.

The seal must not be affixed without the authority of Cabinet or of a Cabinet Member or Director or a Head of Service acting under delegated powers. All contracts under seal will also require an official Purchase Order to be created on the Purchase-to-Pay solution (where available).

- 35.2 All other contracts between £25,000 and £250,000 shall be in writing and in a form Contract approved by the Monitoring Officer and signed by at least two authorised officers. All contracts in excess of £25,000 will also require an official Purchase Order to be created on the Purchase-to-Pay solution (where available).
- 35.3 All contracts above £10,000 and below £25,000 in value shall also be in writing and in a form of contract approved by the Monitoring Officer and be signed by the relevant Head of Service / Director or their nominated representative. All contracts above £10,000 and below £25,000 will also require an official Purchase Order to be created on the Purchase-to-Pay solution (where available).
- 35.4 All contracts below £10,000 in value shall be in the form of an official Purchase Order which refers to the Council's relevant General Terms of Conditions or such other Terms and Conditions included in Request for Quotation. All such contracts and shall be created on the Purchase-to-Pay solution (where available) and can be approved / signed by the relevant Head of Service / Director or their nominated representative.
- 35.5 Emergency contracts awarded under CPR 10.2(d) need not be in writing before commencement but must be confirmed in writing as soon

as possible.

- 35.6 All original contracts in writing above £10,000 shall be stored and retained within Legal and Democratic Services. However, the responsibility to scan all contracts in writing above £10,000 and input onto the Corporate Contract Register on the e-sourcing solution (where available) and also to send original contracts to Legal and Democratic Services shall vest with the Responsible officer.
- 35.7 Where there is an appropriate national standard form of contract, that standard form shall be used, subject to any amendments as may be agreed with the Monitoring Officer in consultation with relevant Head of Service.
- 35.8 Commencement of any contract shall not take place until the written contract is finalised except in cases of emergency, in which case the written contract shall be finalised as soon as practicable.

### **36. Bonds, Securities, Liquidated and Other Damages**

- 36.1 The Responsible Officer shall undertake a risk assessment to determine whether a performance bond or performance guarantee is required.
- 36.2 All such Contracts include a provision where applicable for liquidated damages to be paid by the contractor in case the terms of the contract are not duly performed, save where the Monitoring Officer approves another type of remedy.

### **37. Parent Company Guarantee**

- 37.1 The Responsible Officer shall seek a Parent Company Guarantee when a Contractor is a subsidiary of a parent company and/or
- 37.2 The award is based on evaluation of the parent company; or
- 37.3 There is some concern over the stability of the Contractor.

## **OPERATION OF CONTRACT**

### **38. Contract Management**

- 38.1 All contracts must have a named contract manager for the entirety of the contract. Contract managers must follow the procedures set out by the Head of Procurement.
- 38.2 All contracts which are strategically critical and / or high risk and / or high value and / or high profile as determined by the relevant Head of Service within their own service area, are to be subject to a minimum monthly formal contract review with the contractor.
- 38.3 All contract management activities shall be undertaken via the e-sourcing solution (where applicable).

## **39. Contract Performance**

- 39.1 All Contractors shall be subjected to regular contract performance reviews, which shall be undertaken via the e-sourcing solution (where available) through feedback received from external and internal stakeholders. If practical, a performance review shall be undertaken at the end of each completed contract / job. This shall include a requirement to record good and bad performance including complaints, issues and defects arising under a contract and to monitor the aggregation of contractor defaults including performance issues.
- 39.2 Incidents of poor performance shall first be raised with the contractor in writing, or at a meeting where notes are made and sent to the contractor, before the annual report is despatched. In cases of particularly poor performance, or persistent poor performance, the Responsible Officer shall consider whether to recommend suspension or exclusion from the Council's Approved List or Framework Agreement (CPR 11) or to terminate early the contract as per CPR 40.
- 39.3 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, framework agreement or contract.

## **40. Termination of Contract**

- 40.1 Contracts of less than £250,000 may be terminated early by the relevant Head of Service / Director in consultation with the Monitoring Officer based on a written report by the Head of Service / Director.
- 40.2 Contracts with a value above £250,000 may be terminated early only by the Monitoring Officer in consultation with the Chief Finance Officer, Head of Procurement and Portfolio Lead Member based on a written report by the Head of Service / Director.
- 40.3 Any contracts that are terminated early must be recorded against the contract entry on the Corporate Contract Register.

## **41. Contract Variations and Contract Extensions**

- 41.1 No variation or extension may be made to the Contract if the proposed variation would:
- (a) extend the Contract period by more than 50% or more than three calendar months, whichever is the greater; or



- (b) add more than 20% to the agreed Contract sum; or
- (c) mean the works, services or goods to be added to or deleted from the original Contract are substantially different in scope: or
- (d) be in breach of EU Regulations.

UNLESS IT HAS BEEN APPROVED BY:

- 1) By the relevant Head of Service / Director if the Contract value is under £250,000 (including the aggregated value of variations) based on a written report by the Responsible Officer providing that the variation costs can be met within the budget;
  - 2) By the Monitoring Officer, in consultation with the Chief Finance Officer based on a written report from the Head of Service / Director, if the Contract value is between £250,000.1 and £1,000,000 (including the aggregated value of variations), providing that the variation costs can be met within budget;
  - 3) by the Monitoring Officer and Chief Finance Officer, based on a written report from the Head of Service having consulted with Head of Procurement, Other Statutory Officer(s) and Cabinet Member if the contract value is over £1,000,000 (including aggregated value of variations), providing the variation costs can be met within budget.
- 41.2 The value of a variation or extension shall be calculated by taking the aggregate value of all variations or extensions made to the Contract. No variation, which adds to the cost of the Contract, shall be made until funding has been identified by the relevant Head of Service / Director.
- 41.3 Subject to CPR 41.1 and the provisions of the Contract, every other variation or extension shall, unless otherwise deemed appropriate, be authorised in writing by the relevant Head of Service / Director or the Responsible Officer as delegated by the Head of Service / Director, providing that the variation costs can be met within budget.
- 41.4 CPR 41.1 shall not apply in cases of emergency or where the cost of Contract delay would exceed the variation/extension costs. In such cases, the variation or extension may be approved by the appropriate Head of Service / Director providing that the same is reported as soon as practicable under the applicable thresholds as in CPR 41.1 to report on the impact of a variation order on a Contract, including budget implications.
- 41.5 For the avoidance of doubt, no variation may be made to a contract if the proposed variation would mean the works, services or goods to be added to the original contract are substantially different in scope or type to those contemplated by the original procurement exercise.

- 41.6 As soon as it becomes known or apparent that the total cost of a scheme including variations will or is likely to exceed the contract sum by more than 5%, the Chief Finance Officer or delegated Accountant must be informed immediately for financial monitoring purposes and may inform the responsible officer of any further financial requirements to be complied with.
- 41.7 Contract variations which change any significant term of the contract (particularly as to price, quality or balance of risk) have the potential to amount to a new contract variations must therefore only be considered where:
- (a) The proposed variation is within the scope of the original tender (including any possible extensions or options which were included in the contract notice/advertisement or tender documents);
  - (b) The proposed variation does not significantly exceed the value of the original tender (including any possible extensions or options which were included in the contract notice/advertisement or tender documents);
  - (c) Variations of the type proposed were contemplated at the time the original procurement exercise was carried out; or
  - (d) The variation is permitted under the terms and conditions of the contract (provided that those terms and conditions were known to tenderers at the time of the original tender).
- 41.8 However, variations which alter the balance of risk in favour of the Council may in certain circumstances be judged not to be anti-competitive and thus may be permissible. Permission of the Monitoring Officer in consultation with Head of Procurement must always be sought to determine if the variation is deemed significant.
- 41.9 The decision to extend the contract period (term) may only be made before the original expiry date, where it is in accordance with the terms and conditions of the original contract.
- 41.10 Where the terms of the contract and or original procurement exercise do not expressly provide for extension then such contract may only be extended in exceptional circumstances, where legislation permits and value for money issues have been addressed. Such decision shall be made by the relevant Responsible Officer in consultation with the Head of Procurement and Monitoring Officer.
- 41.11 All contract variations shall be entered on the e-sourcing solution (where available) and an amendment shall be made to the original Purchase Order via the Purchase-to-Pay solution (where available).

## **42. Contract Payments**

- 42.1 The relevant Head of Service shall notify the Chief Finance Officer the contract value as soon as possible after any formal contract has been

entered into by either ensuring a Purchase Order is submitted on the purchase-to-pay solution (where available) or by written notification, and shall make available the contract documents and accepted tenders to the Internal Audit Manager for inspection as and when required.

- 42.2 Where contracts provide for payment to be made by installments, the relevant Head of Service shall arrange for the keeping of a Contract Register to show the state of account on each Contract between the Council and the Contractor in respect of all Contracts.
- 42.3 Payments to contractors on account of contracts shall be made only on a certificate issued by the relevant Head of Service / Director (or private consultant whenever engaged by the Council) as appropriate, or by an officer nominated by him. The names of officers authorised to approve such records shall be sent to the Chief Finance Officer by each Head of Service, together with specimen signatures (if applicable), and shall be amended on the occasion of any change.
- 42.4 The Internal Audit Manager shall, to the extent he considers necessary, examine final accounts for contracts and he shall be entitled to make all such enquiries and receive such information and explanations as he may require, in order to satisfy himself as to the accuracy of the accounts.
- 42.5 The Chief Finance Officer may at his discretion set off any sums due from a contractor to the Council against any sums due from the Council to the contractor.
- 42.6 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Monitoring Officer and Chief Finance Officer before a settlement is reached.
- 42.7 Where completion of a contract is delayed beyond the original contract period or extended contract period within the terms of the contract, it shall be the duty of the relevant Head of Service / Director, in consultation with the Chief Finance Officer and Monitoring Officer, to consider what appropriate action, if any, must be taken in respect of a claim for liquidated damages by the Council under the contract.
- 42.8 The Responsible Officer approving invoices should be different to the Responsible Officer engaging the contractor to ensure proper segregation of duties

#### **43. Assignments and Novation**

- 43.1 When any request for Assignment or Novation is made it must be referred to the Monitoring Officer at the earliest possible instance.

#### **44. Nominating Products/Contractors/Suppliers**

- 44.1 The core procurement principles of transparency, non-discrimination and equal treatment are undermined by the nomination of products and suppliers.
- 44.2 Councils must first of all seek to specify goods and services by reference to objective, non-product specific descriptions. Equivalent goods or services are nearly always capable of being specified. If this is not possible for genuine technical reasons, and a particular type of product or service or method of production or delivery has to be stated, then the words “or equivalent” must always be added.
- 44.3 As regards nomination of suppliers, contractors or sub-contractors, this can be done provided Request for Quotations or Tenders has been obtained as per these CPR’s.
- 44.4 It is permissible to provide potential main or principal contractors with lists of council-approved suppliers or sub-contractors provided that it is made clear to the main/principal contractors that they are completely free to sub-contract to whoever they wish subject to the Council’s right to consent which shall not be withheld unreasonably subject to meeting the council’s reasonable requirements, such as technical standards, financial standing or insurance levels.
- 44.5 These CPR’s apply to the nomination of a sub-contractor or supplier for carrying out works or services or supplying goods. Sub-contractors or suppliers shall send with the tender an undertaking to work for the main contractor and indemnify them for the sub-contracted works, services or goods.

#### **45. Land Contracts**

- 45.1 All land transactions must comply with Section 120 -123 of the Local Government Act 1972.
- 45.2 Any Land Contracts which are deemed to be Development Agreements, where:
- the Council requires or specifies works to be undertaken by the Developer
  - the Developer enters into an enforceable written obligation (under a development agreement to carry out the work and
  - there is some pecuniary interest –which need not necessarily be a cash payment- in carry out the work

The appointment of a Developer may be subject to the Public Contracts Regulations 2006 and CPR 20, 21, 22 & 23 of these Rules. Any Land Contracts which involve Development Agreements shall be notified to the Monitoring Officer and advice sought.

#### **46. Use of Consultants**

- 46.1 The engagement of consultants must be approved, in the first instance, by the Relevant Head of Service / Director and such approval shall be recorded on a Corporate Register of Consultants that may be in place centrally.
- 46.2 When calculating the estimated value of the contract due consideration must be given to any follow on work that may result from the original contract. Where it is proposed that consultants are engaged by the Council, the Relevant Head of Service shall ensure that:-
- (a) there is a clear identification of need. In particular, the availability of in-house resources must be considered before seeking to engage external consultants;
  - (b) a budget has been agreed;
  - (c) a project brief has been prepared;
  - (d) Tenders have been invited in accordance with these CPRs, including any in-house bids unless CPR 10 applies;
  - (e) comprehensive criteria, against which proposals will be evaluated, are set
  - (f) the selection decision is clearly documented;
  - (g) a formal agreement or detailed letter of engagement is prepared and signed;
  - (h) fee payments and progress are monitored;
  - (i) a detailed Contract File is maintained;
  - (j) performance is reviewed and adequate management monitoring and reporting is in place, including implementation of any recommendations made by consultants.
  - (k) there is a clear requirement for knowledge and skills transfer from the consultant to in-house staff
- 46.3 Consultants shall be required to provide evidence of and maintain professional indemnity policies to the satisfaction of the Relevant Head of Service for the periods specified in the respective agreement. The sum insured shall be not less than £5 million but Head of Service may require a greater sum in appropriate cases. The excess for any one claim shall be no more than £50,000 except with the approval of the Chief Finance Officer
- 46.4 For the engagement of technical external staff as architects, surveyors, engineers and lawyers, the Relevant Head of Service shall annually review the level of use of such external staff
- 46.5 Where consultants or technical external staff as architects, surveyors, engineers or lawyers are appointed to be responsible for supervision of a contract on behalf of the Council, it shall be a condition of appointment that they shall comply with these Rules and Financial Procedure Rules, in relation to that contract, as if they were an Officer of the Council and that, on completion of the contract, they shall submit all relevant records to the Relevant Head of Service.

**47. Retention of Contract Files**

- 47.1 The Contract File prepared for all contracts over £10,000 must be kept for six years from the end of the contract term unless the contract was executed under seal, in which case the contract must be kept for twelve years from the end of the contract term. With respect contracts funded by Wales European Funding Office grants, the Contract Files shall be kept for twenty years from the end of the contract term.
- 47.2 Documents relating to unsuccessful tenderers may be micro filed or electronically scanned or stored by some other suitable method after 12 months from award of contract, provided there is no dispute about the award.

**48. Review and Amendment of the CPR's**

- 48.1 The Head of Procurement in conjunction with the Monitoring Officer shall continually review Contract Procedure Rules and shall undertake a formal review every three years.

## **Schedule 1**

### **Table of Values**

The relevant EU Thresholds for the period between 1<sup>st</sup> January 2012 and 31<sup>st</sup> December 2013 are as follows:

#### **Contract provisions**

Works	SDR € 5,000,000	<b>£4,348,350</b>
Supplies and Services	SDR € 200,000	<b>£ 173,934</b>

#### **Small lots provisions**

Works	€1,000,000	<b>£869,670</b>
Services	€ 80,000	<b>£ 69,574</b>

#### **Prior Information Notices Thresholds**

Works	€ 5,000,000	<b>£4,348,350</b>
Supplies and Services	€ 750,000	<b>£ 652, 253</b>

The EU Thresholds are published in the "C" series of the Official Journal of the European Union in the November preceding the 1st January revision.

Any queries regarding the thresholds must be referred to the Council's Corporate Procurement Unit.

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:**           **AUDIT COMMITTEE**

**DATE:**                 **WEDNESDAY, 17 JULY 2013**

**REPORT BY:**         **HEAD OF FINANCE**

**SUBJECT:**            **COUNCIL BANKING ARRANGEMENTS**

### **1.00 PURPOSE OF REPORT**

- 1.01 The provide Members with information on the Council's banking arrangements and initial proposals for the tender exercise to be carried out in 2014.
- 1.02 To advise of the arrangements put in place following recent branch closures.

### **2.00 BACKGROUND**

- 2.01 A verbal update was given at the June Audit Committee following a question which was raised at the meeting.
- 2.02 Members asked for a report to be brought to this Committee.

### **3.00 CONSIDERATIONS**

- 3.01 The Council's bankers are Nat West Bank. This follows a tender exercise carried out in 2008 and the contract was put in place from May 2008 for 5 years.
- 3.02 The contract was extended to May 2014 in line with Council procurement arrangements to enable detailed consideration of need for the future.
- 3.03 Plans are now being drawn up to undertake a full review of the specification for the tender for banking services from May 2014. The detailed work to achieve this will commence in July.
- 3.04 Over recent years, the services provided by banks has been changing. The advent of internet banking and self service is changing how banks interact with business and retail customers.

- 3.05 At the same time, the Council is also looking at its internal processes to identify requirements for the future and how these can be made as lean, simple and cost effective as possible. Some of our historic processes may now be able to be done in a different way, e.g. is there a more modern approach to petty cash?
- 3.06 These two factors come together to provide an opportunity to fully review the Council's requirements for the future recognising what is available to business customers and for this to be included in the tender specification.
- 3.07 In the interim it is important to ensure that we have arrangements in place in order to maintain service continuity and manage any risks or operational issues.
- 3.08 Following branch closures in Flint and Queensferry as part of the Nat West review of its High Street presence, arrangements have been made for a number of establishments with petty cash accounts who were adversely affected by the branch closures, to access alternative banking provision. This is at no additional cost to the Council.
- 3.09 The need for interaction by Council establishments through High Street presence, or on line, needs to be commensurate with the Council's future needs and will form an important aspect of the tender specification.
- 3.10 Progress with the tender will be reported through Finance updates to Cabinet and Corporate Resources Overview and Scrutiny.

#### **4.00 RECOMMENDATIONS**

- 4.01 Members are asked to note the report.

#### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 None directly as a result of this report.

#### **6.00 ANTI POVERTY IMPACT**

- 6.01 None directly as a result of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

- 7.01 None directly as a result of this report.

#### **8.00 EQUALITIES IMPACT**

- 8.01 None directly as a result of this report.

**9.00 PERSONNEL IMPLICATIONS**

9.01 None directly as a result of this report.

**10.00 CONSULTATION REQUIRED**

10.01 None directly as a result of this report.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None directly as a result of this report.

**12.00 APPENDICES**

12.01 None.

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

**Contact Officer: Kerry Feather, Head of Finance  
Telephone: 01352 702200  
Email: kerry.feather@flintshire.gov.uk**

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