

# Public Document Pack

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



To: ALL MEMBERS OF THE COUNCIL

CS/NG

19 September 2012

Ceri Owen 01352 702350  
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Dear Sir / Madam

A meeting of the **FLINTSHIRE COUNTY COUNCIL** will be held in the **COUNCIL CHAMBER, COUNTY HALL, MOLD CH7 6NA** on **TUESDAY, 25TH SEPTEMBER, 2012** at **2.30 PM** to consider the following items.

\*\*Members are requested to note that prior to the County Council meeting, a Civic Reception celebrating Flintshire's achievements in the 2012 Olympic and Paralympic Games will be held between 1.30 p.m. and 2.30 p.m. in the Alyn and Deeside Room\*\*

Yours faithfully

Democracy & Governance Manager

## **A G E N D A**

### **1 PRESENTATIONS**

The Council will recognise Flintshire's achievements in the 2012 Olympic and Paralympic Games.

### **2 APOLOGIES FOR ABSENCE**

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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  
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[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

3 **PUBLIC QUESTION TIME**

4 **DECLARATIONS OF INTEREST**

To receive any declarations of interests from Members.

5 **CHAIR'S COMMUNICATIONS**

6 **PETITIONS**

7 **NOTICE OF MOTION**

The following Notice of Motion has been received from Councillor A. Woolley:-

'That this Council should recommend to the Executive Committee that the Executive Committee should grant to the Board of Trustees of the Daniel Owen Community Centre Association, a new 25 year Lease on the Daniel Owen Centre Building that they presently occupy, in order that they may themselves take steps to secure available funding for necessary improvements to the buildings and facilities within it, so as to better secure the future of the building and the several and varied community supportive activities that are provided on a daily basis at and within the Centre.'

8 **QUESTIONS**

To note the answers to any questions submitted in accordance with County Council Standing Order No. 9.4(A).

9 **QUESTIONS FROM MEMBERS ON COMMITTEE MINUTES**

The Minute Book, Edition 1 2012/13 has been circulated to Members. Members are now entitled to ask questions on these minutes, subject to certain limitations, and answers will be provided at the meeting. Members are requested to bring to the meeting their copy of the Minute Book. Any questions must have been received by the Democracy and Governance Manager prior to the close of business on Monday 10 September, 2012.

10 **STATEMENT OF ACCOUNTS 2011/12** (Pages 1 - 160)

Report of the Head of Finance enclosed.

11 **ANNUAL GOVERNANCE STATEMENT** (Pages 161 - 166)

Joint report of the Head of Legal and Democratic Services and Head of Finance enclosed.

12 **CLWYD PENSION FUND UPDATE** (Pages 167 - 172)

Report of the Head of Finance (Treasurer and Administrator to the Fund) enclosed.

13 **SYCHDYN DEVELOPMENT BRIEF** (Pages 173 - 210)

Report of the Director of Environment enclosed.

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** **FLINTSHIRE COUNTY COUNCIL**

**DATE:** **TUESDAY, 25 SEPTEMBER 2012**

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

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

### **1.00 PURPOSE OF REPORT**

1.01 To seek Members' approval of the final Statement of Accounts for 2011/12.

### **2.00 BACKGROUND**

2.01 The statutory deadline for the approval of the Statement of Accounts is 30th September.

### **3.00 CONSIDERATIONS**

3.01 The audit of the 2011/12 accounts has now been completed. The statutory audit completion notice will be reported in the press in due course.

3.02 As part of the final accounts process, Wales Audit Office presented to the Audit Committee on 25th September 2012 the ISA 260 reports 'Audit of the Financial Statements - Flintshire County Council' and 'Audit of the Financial Statements - Clwyd Pension Fund', attached (Appendices B and C respectively). The ISA (International Standards on Auditing) 260 requires the auditor to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity.

3.03 During the audit, a number of changes to the draft Statement of Accounts were agreed with Wales Audit Office and these have been incorporated into the final document, as attached (Appendix A).

3.04 If Audit Committee recommend any changes to the Statement of Accounts or wish to make any specific comments to Council, these will be tabled at the meeting.

3.05 Both ISA 260 reports include a Letter of Representation, whereby the Council confirms to the WAO that all of the information contained within the financial statements is true and accurate and that all information has been disclosed.

3.06 If Audit Committee recommend any changes to the letters or wish to make any specific comments to Council, these will be tabled at the meeting.

**4.00 RECOMMENDATIONS**

4.01 Members are requested to approve:

a) the final Statement of Accounts for 2011/12

b) the Letter of Representation – Flintshire County Council

c) the Letter of Representation – Clwyd Pension Fund.

**5.00 FINANCIAL IMPLICATIONS**

5.01 None.

**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 required.

**11.00 CONSULTATION UNDERTAKEN**

11.01 None required.

**12.00 APPENDICES**

12.01 Appendix A - Statement of Accounts 2011/12  
Appendix B - WAO report, Audit of the Financial Statements - Flintshire County Council  
Appendix C - WAO report, Audit of the Financial Statements - Clwyd Pension Fund

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

Various 2011/12 Final Accounts Working Papers

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# STATEMENT OF ACCOUNTS

## DATGANIAD CYFRIFON

2011-12





# CONTENTS

	<b>Page</b>
<b>Flintshire County Council</b>	
<b>Explanatory Foreword</b>	1-4
<b>Statement of Responsibilities for the Statement of Accounts</b>	5
<b>Core Single Entity Financial Statements -</b>	
Movement in Reserves Statement	6-7
Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2012	8
Balance Sheet as at 31st March 2012	9-10
Cash Flow Statement for the Year Ended 31st March 2012	11
<b>Notes to the Core Financial Statements</b>	
Statement of Accounting Policies	12-23
Other Notes to the Accounts	24-70
<b>Supplementary Single Entity Financial Statements -</b>	
Housing Revenue Account Income and Expenditure Account for the Year Ended 31st March 2012	71
Movement on the Housing Revenue Account Statement for the Year Ended 31st March 2012	72
Notes to the Housing Revenue Account for the Year Ended 31st March 2012	73-74
<b>Clwyd Pension Fund</b>	
Clwyd Pension Fund Accounts for the Year Ended 31st March 2012	75-103
<b>Flintshire County Council and Clwyd Pension Fund</b>	
Independent Auditor's Report to the Members of Flintshire County Council	104-105
<b>Annual Governance Statement</b>	106-120

## EXPLANATORY FOREWORD

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

The statements included are :-

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

## EXPLANATORY FOREWORD

continued

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

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

**REVENUE BUDGET AND OVERALL FINANCIAL POSITION**

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

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

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

The net underspend of £2,709k, increased to £2,835k by way of increased Council tax income (£126k). The £2,835k, has served with other agreed funding transfers of £2,796k to produce a year-end Council fund revenue reserves total of £44,432k, which includes the unearmarked Council fund balance of £6.468m.

**EXPLANATORY FOREWORD**

continued

**REVENUE BUDGET AND OVERALL FINANCIAL POSITION (continued)**

	Net			2011 £000
	2012 £000	Underspend £000	Other £000	
Council fund (unearmarked) balance	6,468	2,835	(2,329)	5,962
Earmarked council fund reserves	35,306	0	4,441	30,865
Locally managed schools	2,658	0	684	1,974
<b>Total council fund revenue reserves</b>	<b>44,432</b>	<b>2,835</b>	<b>2,796</b>	<b>38,801</b>

**ASSETS ACQUIRED AND LIABILITIES INCURRED**

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

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

**PENSIONS**

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

**BORROWING FACILITIES**

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

**SOURCES OF CAPITAL FINANCING**

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

## EXPLANATORY FOREWORD

continued

## SOURCES OF CAPITAL FINANCING (continued)

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

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

## REVALUATION OF ASSETS

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2011/12 (the second year of the new cycle, commencing 1st April 2010), approximately 20% of non-dwelling assets were revalued, together with the whole of the housing stock. A full impairment review of land values within the schools portfolio was also undertaken, as detailed within the Statement of Accounting Policies on page 12. The overall impact of the 2011/12 revaluation process was a net decrease in the value of non-current property assets - property, plant and equipment, investment properties and the agricultural estate - recorded in the balance sheet (from £859,163k to £810,104k).

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

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

**Signed :**

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

**Dated :**

### THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

The Head of Finance has also :-

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

The following statement of accounts has been prepared in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. The statement of accounts presents a true and fair view of the financial position of the Authority at 31st March 2012, and its income and expenditure for the year then ended.

In addition the statement presents a true and fair view of the financial transactions of the Clwyd Pension Fund during the year ended 31st March 2012 and the amount and disposition at that date of its assets and liabilities.

**Signed :** *K. A. Feather*

**Kerry Feather CPFA  
Head of Finance**

**Dated :** 19/09/12



**MOVEMENT IN RESERVES STATEMENT**  
for the year ended 31st March 2012

Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	
<b>At 31st March 2011</b>	6,227	9,144	5,962	32,839	1,614	55,786	462,231	<b>518,017</b>	
Surplus/(deficit) on the provision of services	0	0	(47,011)	0	(20,349)	<b>(67,360)</b>	0	<b>(67,360)</b>	
Other comprehensive income and expenditure	0	0	0	0	0	0	(36,552)	<b>(36,552)</b>	
<b>Total comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>(47,011)</b>	<b>0</b>	<b>(20,349)</b>	<b>(67,360)</b>	<b>(36,552)</b>	<b>(103,912)</b>	
Adjustments between accounting and funding basis under regulations	<b>10</b>	(153)	(5,959)	49,846	(457)	20,625	<b>63,902</b>	(63,902)	<b>0</b>
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	<b>(153)</b>	<b>(5,959)</b>	<b>2,835</b>	<b>(457)</b>	<b>276</b>	<b>(3,458)</b>	<b>(100,454)</b>	<b>(103,912)</b>	
Transfers to/(from) earmarked reserves	0	0	(2,329)	5,582	0	<b>3,253</b>	0	<b>3,253</b>	
<b>Increase/(decrease) in year</b>	<b>(153)</b>	<b>(5,959)</b>	<b>506</b>	<b>5,125</b>	<b>276</b>	<b>(205)</b>	<b>(100,454)</b>	<b>(100,659)</b>	
<b>At 31st March 2012</b>	<b>6,074</b>	<b>3,185</b>	<b>6,468</b>	<b>37,964</b>	<b>1,890</b>	<b>55,581</b>	<b>361,777</b>	<b>417,358</b>	

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

## MOVEMENT IN RESERVES STATEMENT

continued

	Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
<b>At 31st March 2010</b>		4,818	6,906	27,246	5,004	1,492	<b>45,466</b>	431,920	<b>477,386</b>
Re-classification adjustment		0	0	(20,969)	20,969	0	0	0	<b>0</b>
		4,818	6,906	6,277	25,973	1,492	45,466	431,920	<b>477,386</b>
Surplus/(deficit) on the provision of services		0	0	21,010	0	(4,598)	<b>16,412</b>	0	<b>16,412</b>
Other comprehensive income and expenditure		0	0	0	0	0	0	18,095	<b>18,095</b>
<b>Total comprehensive income and expenditure</b>		<b>0</b>	<b>0</b>	<b>21,010</b>	<b>0</b>	<b>(4,598)</b>	<b>16,412</b>	<b>18,095</b>	<b>34,507</b>
Adjustments between accounting and funding basis under regulations	10	1,409	2,238	(20,142)	(441)	4,720	(12,216)	12,216	<b>0</b>
<b>Net increase/(decrease) before transfer to earmarked reserves</b>		<b>1,409</b>	<b>2,238</b>	<b>868</b>	<b>(441)</b>	<b>122</b>	<b>4,196</b>	<b>30,311</b>	<b>34,507</b>
Transfers to/(from) earmarked reserves		0	0	(1,183)	7,307	0	<b>6,124</b>	0	<b>6,124</b>
<b>Increase/(decrease) in year</b>		<b>1,409</b>	<b>2,238</b>	<b>(315)</b>	<b>6,866</b>	<b>122</b>	<b>10,320</b>	<b>30,311</b>	<b>40,631</b>
<b>At 31st March 2011</b>		<b>6,227</b>	<b>9,144</b>	<b>5,962</b>	<b>32,839</b>	<b>1,614</b>	<b>55,786</b>	<b>462,231</b>	<b>518,017</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2012

	2012			2011			
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Service Expenditure Analysis</b>							
Adult social care		53,195	10,570	42,625	58,969	16,921	42,048
Central services to the public		2,287	1,011	1,276	2,953	1,569	1,384
Education and children's services		180,147	23,883	156,264	158,369	24,768	133,601
Cultural, environmental, regulatory and planning services *		0	0	0	64,734	24,364	40,370
Cultural and related services*		23,791	11,873	11,918	0	0	0
Environmental and regulatory services*		22,258	4,065	18,193	0	0	0
Planning services*		10,179	6,225	3,954	0	0	0
Highways and transport services		26,596	7,526	19,070	27,094	8,677	18,417
Housing services :							
Housing - Council fund		68,082	60,822	7,260	54,840	49,658	5,182
Housing revenue account (HRA)		43,625	25,212	18,413	26,079	24,058	2,021
Corporate and democratic core		2,534	0	2,534	2,350	16	2,334
Non distributed costs		3,515	0	3,515	3,697	0	3,697
Exceptional non distributed costs **		0	0	0	(34,157)	0	(34,157)
<b>Net cost of services</b>		<b>436,209</b>	<b>151,187</b>	<b>285,022</b>	<b>364,928</b>	<b>150,031</b>	<b>214,897</b>
<b>Other Operating Expenditure</b>							
Net gain on the disposal of non-current assets				(42)			(323)
Levy - North Wales Fire and Rescue Authority				7,052			7,119
Precept - North Wales Police Authority	6			12,705			12,186
Other preceptors - community councils	6			2,191			2,119
<b>Total Other Operating Expenditure</b>				<b>21,906</b>			<b>21,101</b>
<b>Financing and Investment Income and Expenditure</b>							
Interest payable and similar charges	3			10,231			9,970
Investment losses and investment expenditure	3,4			4,824			5,326
Interest and investment income	3			(8,345)			(6,197)
Pensions interest cost	3,5			30,878			32,897
Expected return on pensions assets	3,5			(23,172)			(22,906)
<b>Total Financing and Investment Income and Expenditure</b>				<b>14,416</b>			<b>19,090</b>
<b>Net operating expenditure</b>				<b>321,344</b>			<b>255,088</b>
<b>Taxation and Non-Specific Grant Income</b>							
Council tax income	6			(69,962)			(67,384)
Distribution from non-domestic rate pool	7			(35,203)			(42,236)
Grants - revenue (general) and capital (all)	8			(169,168)			(166,478)
<b>Total Taxation and Non-Specific Grant Income</b>				<b>(274,333)</b>			<b>(276,098)</b>
<b>(Surplus)/deficit on the provision of services</b>				<b>47,011</b>			<b>(21,010)</b>
(Surplus)/deficit arising on revaluation of non-current assets				16,627			(4,231)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(114)			(14)
Actuarial (gains) or losses on pension assets and liabilities				37,181			(15,729)
Other comprehensive income and expenditure				(46)			353
<b>Total comprehensive income or expenditure</b>				<b>100,659</b>			<b>(40,631)</b>

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

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

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

**BALANCE SHEET**  
as at 31st March 2012

		2012		2011	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>20,22,23</b>				
Council dwellings		276,284		293,286	
Other land and buildings		303,972		344,344	
Vehicles, plant, furniture and equipment		12,458		6,941	
Surplus assets		6,952		7,919	
Infrastructure assets		153,619		154,016	
Community assets		9,678		9,458	
Assets under construction		5,691		1,700	
<b>Total Property, Plant &amp; Equipment</b>			768,654		817,664
Investment properties	<b>21,22,23</b>		28,172		27,006
Agricultural estate	<b>21,22,23</b>		13,278		14,493
Intangible assets	<b>19</b>		732		628
Long term investments	<b>24,38</b>		2,753		2,628
Long term debtors	<b>25</b>		1,066		591
<b>NON-CURRENT ASSETS TOTAL</b>			814,655		863,010
<b>CURRENT ASSETS</b>					
Inventories	<b>26</b>	1,269		1,264	
Short term debtors (net of impairment provision)	<b>27</b>	29,935		28,187	
Short term investments	<b>28</b>	13,599		10,410	
Cash and cash equivalents	<b>29</b>	38,937		39,982	
Assets held for sale	<b>30</b>	2,752		9,493	
<b>CURRENT ASSETS TOTAL</b>			86,492		89,336
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months	<b>31</b>	(10,487)		(5,803)	
Short term creditors	<b>32</b>	(33,684)		(33,108)	
Provision for accumulated absences	<b>34</b>	(3,738)		(3,598)	
Deferred liabilities	<b>15</b>	(414)		(363)	
<b>CURRENT LIABILITIES TOTAL</b>			(48,323)		(42,872)
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	<b>32</b>	(1,905)		(2,205)	
Long term borrowing	<b>33,38</b>	(172,410)		(173,744)	
Deferred liabilities	<b>35</b>	(6,663)		(2,065)	
Provisions	<b>34</b>	(13,654)		(10,140)	
Other long term liabilities	<b>5</b>	(240,834)		(203,303)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			(435,466)		(391,457)
<b>NET ASSETS</b>			417,358		518,017

**BALANCE SHEET**  
as at 31st March 2012 (continued)

		2012		2011	
	Note	£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital receipts reserve	36	6,074		6,227	
Capital grants unapplied	36	3,185		9,144	
Council fund	36	6,468		5,962	
Earmarked reserves	36	37,964		32,839	
Housing revenue account	36	1,890		1,614	
<b>USABLE RESERVES TOTAL</b>			55,581		55,786
<b>UNUSABLE RESERVES</b>					
Revaluation reserve	37	58,060		114,579	
Available-for-sale financial instruments reserve	37	368		254	
Capital adjustment account	37	570,607		574,061	
Financial instruments adjustment account	37	(9,051)		(9,679)	
Pensions reserve	37	(240,834)		(203,303)	
Equal pay account	37	(13,644)		(10,099)	
Deferred capital receipts	37	9		16	
Accumulated absences account	37	(3,738)		(3,598)	
<b>UNUSABLE RESERVES TOTAL</b>			361,777		462,231
<b>TOTAL RESERVES</b>			417,358		518,017

**CASH FLOW STATEMENT**

for the year ended 31st March 2012

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

	Note	2012		2011	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services *		(47,011)		21,010	
Adjustment to surplus or deficit on the provision of services for non-cash movements		79,537		18,276	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(20,554)		(22,028)	
Net cash outflows from operating activities	45	<u>          </u>	11,972	<u>          </u>	17,258
Net cash flows from investing activities	46	(13,037)		(6,074)	
Net cash flows from financing activities	47	<u>          </u>		<u>          </u>	
			(13,230)		(5,580)
<b>Net increase or decrease in cash and cash equivalents</b>			<u>(1,258)</u>		<u>11,678</u>
Cash and cash equivalents at the beginning of the reporting period	29		39,982		28,964
Other			213		(660)
<b>Cash and cash equivalents at the end of the reporting period</b>	29		<b>38,937</b>		<b>39,982</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 31st March 2012

### 1. STATEMENT OF ACCOUNTING POLICIES

#### General Matters

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

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

#### Standards Issued But Not Yet Adopted

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

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

#### Standards Early Adopted

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

#### Critical Judgments in Applying Accounting Policies

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

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

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

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

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

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

**Borrowing Costs**

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

**Capital Receipts**

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

**Cash and Cash Equivalents**

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

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

**Component Accounting**

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

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

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

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

**Debt Redemption**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**1. STATEMENT OF ACCOUNTING POLICIES (continued)****Debtors and Creditors**

The revenue and capital accounts of the Authority are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2012.

**Depreciation**

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

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

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

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

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

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

**Employee Benefits**

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

**Financial Assets**

Financial assets are classified into two types:

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

continued

**1. STATEMENT OF ACCOUNTING POLICIES (continued)****Financial Assets (continued)*****Loans and Receivables:***

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

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

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

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

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

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

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

**Financial Liabilities**

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

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

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

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

**Heritage Assets**

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

***Historical Buildings :***

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

***Operational –***

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

***Non-Operational –***

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

***Collections :******County Archives –***

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

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)

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

**Impairment**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

	<b>Years</b>
Software licences	5
Development expenditure	7

**Interest Charges**

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

**Inventories**

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

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

**Investment Property**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

### 1. STATEMENT OF ACCOUNTING POLICIES (continued)

#### Investments

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

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

#### Jointly Controlled Operations and Jointly Controlled Assets

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

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

#### Leases

##### *Finance Leases*

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

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

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

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

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

***Operating Leases***

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

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

**Non-Current Assets Held for Sale**

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

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

**Overheads**

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

**Pensions**

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

***Teachers:***

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

**Property, Plant and Equipment**

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

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

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

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2011/12 (the second year of the current cycle, which commenced 1st April 2010), approximately 20% of non-dwelling assets were revalued, together with the whole of the housing stock. Material changes to valuations are adjusted in the interim period, as they occur. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. The revaluation reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Different classes of asset included on the group balance sheet are measured on different bases (in common with the balance sheet).

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

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

**Reserves**

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

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

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

**Segment Reporting**

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

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

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

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

**Value Added Tax**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**2. SEGMENTAL REPORTING**

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

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

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

2011/12		Community Services	Environment	Lifelong Learning	Corporate Services	Central and Corporate Finance	HRA	Total
		£000	£000	£000	£000	£000	£000	£000
<b>Income</b>	Fees, charges & other service income	(8,332)	(37,516)	(14,685)	(49,840)	(18,783)	(55,795)	<b>(184,951)</b>
	Government grants	(9,343)	(7,220)	(20,004)	(709)	0	6,311	<b>(30,965)</b>
	Total	<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	<b>180,266</b>
	Other service expenses	44,490	52,147	41,373	55,912	36,815	43,080	<b>273,817</b>
	Total	<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

continued

## 2. SEGMENTAL REPORTING (continued)

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

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

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

	2011/12 £000	2010/11 £000
Final outturn	238,167	240,986
Add amounts not reported to management	84,071	3,380
Remove amounts reported to management not included in comprehensive income and expenditure statement	<u>(37,216)</u>	<u>(29,469)</u>
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u>285,022</u></b>	<b><u>214,897</u></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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 2. SEGMENTAL REPORTING (continued)

<b>Reconciliation to Subjective Analysis (Single Entity) 2011/12</b>	<b>Service Analysis £000</b>	<b>Not Reported to Manag't £000</b>	<b>Not Included in I&amp;E £000</b>	<b>Net Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
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>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

An aggregate net financing and investment income and expenditure total of £14,416k (£19,090k in 2010/11), incorporates the investment losses and investment expenditure detailed in note 4 below.

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

**4. INVESTMENT LOSSES AND INVESTMENT EXPENDITURE**

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

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

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

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

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

All monies are currently subject to the administration process. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**4. INVESTMENT LOSSES (continued)**

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

The available information is not definitive as to the amounts and timings of payments to be made by the administrators, and it is likely that further adjustments will be made to the accounts in future years. However, the gross impairment adjustment for 2011/12 (£202k) recognised in the comprehensive income and expenditure statement has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are fully recovered.

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

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

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

Date	%
December 2012	7.0
December 2013	7.0
December 2014	7.0
December 2015	7.0
December 2016	7.0
December 2017	7.0
December 2018	7.0
December 2019	8.8
	57.8

**5. PENSIONS****Teachers:**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**5. PENSIONS (continued)****Other Employees:**

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

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

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

**Transactions Relating to Retirement Benefits -**

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**5. PENSIONS (continued)**

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

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

Reconciliation of present value of the scheme liabilities -

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**5. PENSIONS (continued)**

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

**Scheme History -**

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

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £240,834k is included as part of the unusable reserves total on the Balance Sheet (within the overall reserves balance of £417,358k) on page 10.

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

The total contributions expected to be made to the LGPS by the Council in the year to 31st March 2013 is £19.2m.

**Basis for Estimating Assets and Liabilities -**

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

The principal assumptions used by the actuary for LGPS are -

	2012	2011
<b>Long term expected return on assets in the scheme</b>		
Equity investments	7.0%	7.5%
Bonds	4.1%	5.1%
Other	7.0%	7.5%
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners -		
Men	21.8 yrs	21.8 yrs.
Women	24.4 yrs	24.3 yrs.
Longevity at 65 for future pensioners -		
Men	23.2 yrs	23.2 yrs.
Women	26 yrs	25.9 yrs.
Rate of inflation (Consumer Prices Index)	2.5%	2.9%
Rate of increase in salaries	4.0%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%
Take up option to convert annual pension into retirement lump sum	50%	50%

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**5. PENSIONS (continued)**

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

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

**History of Experience Gains and Losses -**

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

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

**6. COUNCIL TAX**

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

Council tax is based on the valuation band into which a property has been placed. Charges are calculated by dividing the total annual income requirements of the Council and the North Wales Police Authority by the Council tax base.

The tax base is the total of all the properties in each band adjusted by a proportion to convert the number to a band D equivalent, and also adjusted for discounts. The tax base for 2011/12 was 60,692, (60,528 in 2010/11), as calculated in the table on page 33 :

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 6. COUNCIL TAX (continued)

	Band A*	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total	
<b>Chargeable Dwellings</b>												
Number of chargeable dwellings	-	3,785	8,776	19,327	11,812	9,750	6,582	2,970	569	224	63,795	
Dwellings with disabled reliefs	-	24	58	145	117	117	82	39	11	21	614	
Adjusted chargeable dwellings	24	3,819	8,863	19,299	11,812	9,715	6,539	2,942	579	203	63,795	
<b>Adjusted Chargeable Dwellings</b>												
Dwellings with no discounts	11	1,239	4,758	12,522	8,355	7,407	5,404	2,519	500	180	42,895	
Dwellings with one discount	13	2,580	4,099	6,766	3,449	2,301	1,128	416	62	19	20,833	
Dwellings with two discounts	0	0	6	11	8	7	7	7	17	4	67	
Discounted chargeable dwellings	24	3,819	8,863	19,299	11,812	9,715	6,539	2,942	579	203	63,795	
<b>Discounted Chargeable Dwellings</b>												
Total discounted dwellings	21	3,174	7,835	17,602	10,946	9,136	6,254	2,835	555	196	-	
Ratio to band "D"	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	-	
Band "D" equivalent	12	2,116	6,094	15,646	10,946	11,167	9,033	4,724	1,110	458	61,305	
											Collection rate adjustment (at 1%)	(613)
											Exempt properties adjustment	0
											<b>Council Tax Base 2011/12</b>	<b>60,692</b>

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**7. NON-DOMESTIC RATES (NDR)**

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

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

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

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

**8. GRANTS – REVENUE (GENERAL) AND CAPITAL**

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

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

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

continued

**9. PROVISION FOR REPAYMENT OF EXTERNAL LOANS**

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Authority to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2011/12 were as follows :-

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

**10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

The credit adjustment for the year is £63,902k (£12,216k debit in 2010/11).

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

2011/12	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
<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	0	0	19,891	0	23,792	43,683	(43,683)
Revaluation losses on Property, Plant and Equipment	0	0	29,897	0	0	29,897	(29,897)
Movements in the market value of Investment Properties	0	0	(1,261)	0	0	(1,261)	1,261
Amortisation of intangible assets	0	0	(15)	0	15	0	0
Capital grants and contributions applied	0	(23,898)	0	0	0	(23,898)	23,898
Movement in the Donated Assets Account	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	7,741	0	50	7,791	(7,791)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(42)	0	0	(42)	42
<i>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Statutory provision for the financing of capital investment	0	0	(6,281)	0	(552)	(6,833)	6,833
Capital expenditure charged against the Council Fund and HRA balances	0	0	(1,288)	(457)	(2,714)	(4,459)	4,459
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	17,939	(17,939)	0	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	(153)	0	0	0	0	(153)	153
<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	0	0	0	0	(132)	(132)	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	0	0	350	0	0	350	(350)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,105	1,105	(1,105)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(977)	(977)	977
<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	0	0	3,545	0	0	3,545	(3,545)
<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	0	0	102	0	38	140	(140)
<b>Other Adjustment</b>							
Net transfer to or from earmarked reserves as required by legislation	0	0	15,146	0	0	15,146	(15,146)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	0	(5,959)	49,846	(457)	20,625	63,902	(63,902)

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

### 11. RELATED PARTIES

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

- Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties such as council tax bills and housing benefits. Material transactions are detailed in notes 7 and 8, with further (revenue) grant support provided across various services to the value of £38,267k (£35,747k in 2010/11).
- Relevant transactions with members of the Council during 2011/12 amounted to £528k (£357k in 2010/11), a figure based on returns received from 60 members – 10 members failed to respond. Transactions with Anglesey County Council, where one of the commissioners appointed in March 2011 to run the Council is a Flintshire County Council member, amounted to £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.
- Total precepts and levies to the North Wales Police Authority and the North Wales Fire and Rescue Authority amounted to £19,757k (£19,305k in 2010/11); total precepts to the 34 community/town councils amounted to £2,191k (£2,119k in 2010/11). Details of transactions with the Pension Fund are provided in note 5 on pages 29 to 33, and within the Pension Fund accounts on pages 75 to 102.

### 12. AUDIT FEES

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

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

### 13. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Environment directorate within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £2,063k (£2,258k in 2010/11). Income and expenditure relating to the Trunk Road Agency Agreement is incorporated in the comprehensive income and expenditure statement net cost of services total.

### 14. OFFICERS' REMUNERATION

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 14. OFFICERS' REMUNERATION (continued)

Remuneration Band	2012		2011	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	2	13	3	8
£65,000 - £69,999	7	5	13	5
£70,000 - £74,999	10	3	3	3
£75,000 - £79,999	2	1	0	4
£80,000 - £84,999	1	3	2	1
£85,000 - £89,999	0	0	1	1
£90,000 - £94,999	0	2	0	1
£95,000 - £99,999	2	0	2	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	1	0
£140,000 - £144,999	0	0	3	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
£155,000 - £159,999	1	0	0	0
£160,000 - £164,999	1	0	0	0
	<u>28</u>	<u>27</u>	<u>28</u>	<u>23</u>

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

## Senior Employee Emoluments

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 14. OFFICERS' REMUNERATION (continued)

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

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

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

**Note 2 :** Commenced July 2011. Acting/interim arrangements prior to the appointment are not included in the analysis.

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

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

## Exit Packages

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

Exit Package Cost Band (Including Special Payments)	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	37	24	26	32	63	56	391,215	275,721
£20,001 - £40,000	5	8	11	9	16	17	465,060	515,548
£40,001 - £60,000	1	2	9	3	10	5	471,003	230,631
£60,001 - £110,000	0	0			2	1	162,125	90,934
	43	34	48	45	91	79	1,489,403	1,112,834

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 15. LEASING

## Lessee Rentals

## Finance Leases -

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

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

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

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

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

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

Finance costs - the interest element of the minimum lease payments

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

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

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

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

**Lessor Rentals****Operating Leases –**

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

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

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

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

**Finance Leases –**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 16. MEMBERS' ALLOWANCES

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

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

The allowances paid fall into the following bands :-

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

## 17. TRADING OPERATIONS

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

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

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

## 19. INTANGIBLE ASSETS

	2012			2011		
	Software Licences	Development Expenditure	Total	Software Licences	Development Expenditure	Total
	£000	£000	£000	£000	£000	£000
Balance at 1st April						
Gross carrying amounts*	243	549	792	230	545	775
Accumulated amortisation*	(28)	(136)	(164)	(24)	(58)	(82)
Net carrying amount	<u>215</u>	<u>413</u>	<u>628</u>	<u>206</u>	<u>487</u>	<u>693</u>
Additions	220	0	220	43	4	47
Amortisation for the period	(37)	(79)	(116)	(34)	(78)	(112)
Balance at 31st March	<u>398</u>	<u>(334)</u>	<u>732</u>	<u>215</u>	<u>413</u>	<u>628</u>
Comprising:						
Gross carrying amounts	463	549	1,012	273	549	822
Accumulated amortisation	(65)	(215)	(280)	(58)	(136)	(194)
Total	<u>398</u>	<u>334</u>	<u>732</u>	<u>215</u>	<u>413</u>	<u>628</u>

\* The balances at 1st April 2011 have been reduced to reflect a software licence which cost £30k when originally purchased that was fully amortised during 2010/11.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 19. INTANGIBLE ASSETS (continued)

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy as included on page 19. The amortisation of £116k charged to revenue in 2011/12 (£112k in 2010/11) 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.

## 20. PROPERTY PLANT AND EQUIPMENT

## Movements 2011/12

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra- structure Assets	Com- munity Assets	Assets under Construc- tion	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<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	281,509	389,032	42,643	6,967	200,535	11,439	5,204	937,329
<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
Revaluations	12,137	45,847	(537)	1,098	0	0	10,812	69,357
At 31st March 2012	(5,225)	(87,972)	(31,171)	(15)	(46,916)	(1,761)	0	(173,060)
Balance Sheet at 31st March 2012	276,284	301,060	11,472	6,952	153,619	9,678	5,204	764,269
Acquisitions AD Waste purchase *	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2012	276,284	303,972	12,458	6,952	153,619	9,678	5,691	768,654
Balance Sheet at 1st April 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664
<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	276,284	303,972	12,458	6,952	153,619	9,678	5,691	768,654

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 20. PROPERTY PLANT AND EQUIPMENT (continued)

## Movements 2010/11

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

## Property, Plant and Equipment

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**20. PROPERTY PLANT AND EQUIPMENT (continued)**

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

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

	Investment Properties	Agricultural Estate	Total
	£000	£000	£000
<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	28,613	13,278	41,891
<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
At 31st March 2012	(587)	0	(587)
Balance Sheet at 31st March 2012	28,026	13,278	41,304
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2012	28,172	13,278	41,450
Balance Sheet at 1st April 2011	27,006	14,493	41,499
<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	28,172	13,278	41,450

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE (continued)

## Movements 2010/11

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

## 22. ASSET VALUATION

## Non-Current Asset Valuation

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**22. ASSET VALUATION (continued)****Non-Current Asset Valuation (continued)**

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

**Property, Plant and Equipment -**

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

Residential homes Not applicable this financial year

Other operational land and buildings Paula M. Blellock BSc (Hons) MRICS, Paul Brockley MRICS, both of Flintshire County Council

**Non-Operational Assets**

Investment property Reviewed by Paul Brockley MRICS of Flintshire County Council

Agricultural estate Not applicable this financial year

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

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

**23. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table on page 50 (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 31st March 2012, the Council's forward capital programme includes (amongst other indicative programme schemes), significant commitments in respect of school modernisation works (£45,524k) school buildings repair and maintenance 'backlog' works (£9,900k), and depot rationalisation (£2,800k).

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Investment</b>		
Property, plant and equipment	34,798	22,664
Investment properties	261	16
Intangible assets	220	47
REFCUS (see page 23)	8,355	7,597
	<u>43,634</u>	<u>30,324</u>
<b>Sources of Finance</b>		
Capital receipts	(2,618)	(217)
Capital grants and contributions	(23,898)	(17,783)
Capital reserves / CERA	(4,095)	(3,343)
	<u>(30,611)</u>	<u>(21,343)</u>
<b>Increase/(decrease) in capital financing requirement</b>	<u>13,023</u>	<u>8,981</u>
<b>Explanation of movements in year :</b>		
Increase in supported borrowing	5,788	7,773
Increase in other (unsupported) borrowing	1,812	757
Assets acquired under finance leases	5,423	451
	<u>13,023</u>	<u>8,981</u>

**24. LONG TERM INVESTMENTS**

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

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

**25. LONG TERM DEBTORS**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**26. INVENTORIES**

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

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

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

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

**27. SHORT TERM DEBTORS**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Housing rents	1,398	1,160
Council tax	2,700	2,697
Government departments	454	3,746
Taxation	1,816	2,276
Lending	138	13
Payments made in advance	3,492	3,451
Benefit overpayments	1,651	1,264
Non-domestic rates agency	450	493
Other debtors	20,535	15,656
	<u>32,634</u>	<u>30,756</u>
Less provision for impairment losses (note 34)	(2,699)	(2,569)
	<u>29,935</u>	<u>28,187</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**28. SHORT TERM INVESTMENTS**

The balance sheet total of £13,599k (£10,410k in 2010/11) is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash, amounting to £40,000k (£42,700k in 2010/11). The £13,599k includes investments of £3,700k deposited in Landsbanki (see also note 4 on pages 27 to 28), which have been impaired to take account of the financial difficulties being experienced by Icelandic banks :-

Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount £000	Impairment £000
22/07/08	17/10/08	1,200	5.82	997	(63)
01/09/08	14/11/08	1,500	5.70	1,242	(84)
08/09/08	18/11/09	1,000	5.67	829	(55)
		<u>3,700</u>		<u>3,068</u>	<u>(202)</u>

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

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

**29. CASH AND CASH EQUIVALENTS**

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

**30. ASSETS HELD FOR SALE**

Those assets that are highly probable to be sold within one year of classification. The re-classifications adjustment (£8,302k) links with those reclassifications recorded within Property, Plant and Equipment – see note 20 on page 45.

	2012 £000	Additions £000	Revaluat- ions £000	Reclass- ifications £000	2011 £000
Council Fund	2,234	759	802	(7,431)	8,104
Housing Revenue Account	518	0	0	(871)	1,389
	<u>2,752</u>	<u>759</u>	<u>802</u>	<u>(8,302)</u>	<u>9,493</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**31. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS**

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

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

**32. SHORT TERM CREDITORS**

	<b>2012</b>		<b>2011</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government departments	4,710		2,512	
Other creditors	<u>26,344</u>		<u>28,292</u>	
		31,054		30,804
<b>Payments received in advance</b>				
Housing rents	233		184	
Council tax	679		732	
Other *	<u>1,718</u>		<u>1,388</u>	
		2,630		2,304
		<u>33,684</u>		<u>33,108</u>

\* net of transfer to non-current liabilities of £1,905k (£2,205k in 2010/11)

**33. LONG TERM BORROWING**

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**34. PROVISIONS****Non-Current Provisions**

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total of £13,654k incorporates the following balances :-

	2012	Movement Out	Movement In	2011
	£000	£000	£000	£000
Claims (staff)	9	(31)	0	40
North Wales Safety Camera Partnership	1	0	0	1
Equal pay	13,644	0	3,545	10,099
	<u>13,654</u>	<u>(31)</u>	<u>3,545</u>	<u>10,140</u>

- The staff claims provision covers the anticipated costs of various staff claims against the Council; no immediate calls against the provision are expected.
- The North Wales Safety Camera Partnership provision provides cover for compensation to drivers who have been wrongly fined for speeding in a designated area when it was not correctly marked as a 30 m.p.h. zone. The timing and certainty of obligations depends entirely upon those motorists who haven't already submitted claims, proceeding to do so.
- The equal pay provision provides cover for the potential costs associated with the settlement of historic equal pay cases, which includes the potential liability for existing and potential equal pay claims. The equal pay account included in the balance sheet on page 60 is used to hold an amount equal to equal pay which has been deferred from being charged to the Council fund under the Local Authority (Capital Finance and Accounting) (Wales) Regulations. The single status/equal pay reserve (as included within earmarked reserves on page 56), provides cash-backing for the provision; the £13,644k is not additional to the £24,156k earmarked reserve figure.

**Current Provisions – Accumulated Absences**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

**35. DEFERRED LIABILITIES**

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

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

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

**36. USABLE RESERVES**

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

**Council Fund**

The Council fund balance represents the value of unearmarked reserves available to the Authority.

**Earmarked Reserves**

Total earmarked reserves of £37,964k (£32,839k in 2010/11) include revenue service balances of £6,479k (£5,795k in 2010/11), the surpluses generated by locally managed schools of £2,658k (£1,974k in 2010/11), and various other specific reserves, as summarised on page 56.

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**36. USABLE RESERVES (continued)****Earmarked Reserves (continued)**

	2012	2011
	£000	£000
Service balances	6,479	5,795
Schools	2,658	1,974
Single status/equal pay	24,156	20,380
Supporting people	1,493	1,209
Waste disposal	811	895
Insurance funds	931	1,233
Other (including theatre - see below)	1,436	1,353
	<u>37,964</u>	<u>32,839</u>

**Housing Revenue Account**

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

**Clwyd Theatr Cymru**

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

It is managed under a scheme of delegation by which Flintshire County Council provides for the governance of the theatre and the discharge of all of the Council's functions, powers and duties in connection therewith. Under the scheme of delegation, the Council now delegates to and vests in its Chief Executive all of its functions, powers and duties in relation to the theatre. The Director of the theatre is responsible to the board of governors for ensuring that all departmental expenditure is kept within approved budgets.

The Chief Executive is required to report to the Cabinet on the theatre's operations and finances, including the current surplus/deficit carry forward position and actions being taken to address this. In the year 2011/12 the theatre made an operating deficit of £56k (£5k surplus in 2010/11).

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES**

The details of movements on unusable reserves are as follows –

<b>Reserves</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Revaluation reserve	58,060	114,579
Available-for-sale financial instruments reserve	368	254
Capital adjustment account	570,607	574,061
Financial instruments adjustment account	(9,051)	(9,679)
Pensions reserve	(240,834)	(203,303)
Equal pay account	(13,644)	(10,099)
Deferred capital receipts	9	16
Accumulated absences account	(3,738)	(3,598)
<b>Total Unusable Reserves</b>	<b>361,777</b>	<b>462,231</b>

**Revaluation Reserve**

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

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

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

	<b>2012</b>		<b>2011</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1st April		114,579		112,792
Upward revaluation of assets	9,464		5,661	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(26,091)		(1,431)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(16,627)		4,230
Difference between fair value depreciation and historical cost depreciation	(39,892)		(2,443)	
Accumulated gains on assets sold or scrapped	0		0	
Amount written off to the capital adjustment account		(39,892)		(2,443)
Balance at 31st March		<b>58,060</b>		<b>114,579</b>

**Available-for-Sale Financial Instruments Reserve**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

**Pensions Reserve**

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

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

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

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

**Capital Adjustment Account**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**37. UNUSABLE RESERVES (continued)**

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		574,061		586,629
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(73,830)		(34,039)	
- Amortisation of intangible assets	104		(65)	
- Revenue expenditure funded from capital under statute	(7,791)		(7,597)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(1,540)		(2,104)	
		(83,057)		(43,805)
Long term debtors adjustments		967		1,020
Adjusting amounts written out of the revaluation reserve		39,892		2,443
Net written out amount of the cost of non-current assets consumed in the year		(42,198)		(40,342)
Capital financing applied in the year:				
- Use of the capital receipts reserve	2,858		615	
- Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	23,898		17,782	
- Statutory provision for the financing of capital investment charged against the council fund and HRA balances	6,852		6,315	
- Capital expenditure charged against the council fund and HRA balances	3,875		3,296	
		37,483		28,008
Movements in the market value of investment properties debited or credited to the Comprehensive income and expenditure statement	1,261		(234)	
		1,261		(234)
Balance at 31st March		570,607		574,061

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

**Equal Pay Account**

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(10,099)		(4,903)
Increase in provision for equal pay cases	(3,545)		(5,196)	
Cash settlements paid in the year	<u>0</u>		<u>0</u>	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		<u>(3,545)</u>		<u>(5,196)</u>
Balance at 31st March		<u>(13,644)</u>		<u>(10,099)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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

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

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

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

**Accumulated Absences Account**

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 38. FINANCIAL INSTRUMENTS

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

## 38. FINANCIAL INSTRUMENTS (continued)

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

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (in line with the 2010/11 method). The 2011/12 borrowing figure for Public Works Loans Board (PWLB) loans has been calculated by reference to the 'premature repayment' set of rates in force on 31st March 2012 (in line with the 2010/11 method).

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

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

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

The fair values are calculated as follows:

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

### 38. FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

#### Risk - Liabilities

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

**38. FINANCIAL INSTRUMENTS (continued)**

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

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

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

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

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

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

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

**Bonds -**

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

**Shares -**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

### 38. FINANCIAL INSTRUMENTS (continued)

#### Other Receivables -

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

### 39. FOUNDATION SCHOOLS

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

### 40. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

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

The Council also administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2012 was £130,474 (£137,447 in 2010/11), and is not included in the balance sheet.

The Council is responsible for the management and maintenance of St. Margaret's Cemetery, Rhewl. This registered charity has three bank accounts with a total current value of £357 (also £357 in 2010/11). The bank accounts are not shown in the balance sheet.

Flintshire County Council acts as lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham. Income received from investments, net of central management expenses, is apportioned to each authority to be used to give grants which accord with the stated objectives. At 31st March 2012 the fund balance was £577,424 (£577,867 in 2010/11), Flintshire having an unused income balance of £548 (£3,383 in 2010/11). These figures are not reflected in the balance sheet.

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

#### 41. CONTINGENT LIABILITY

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

#### Municipal Mutual Insurance Ltd (MMI)

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

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

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

To date MMI have not triggered the scheme of arrangement.

#### 42. CONTINGENT ASSET

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

continued

**43. HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTIONS****County Archives**

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

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

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

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

**County Museum**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

continued

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.

### 44. JOINT ARRANGEMENTS

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

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

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



**NOTES TO THE CORE FINANCIAL STATEMENTS**  
continued

**45. CASH FLOW STATEMENT - OPERATING ACTIVITIES**

The net cash flows from operating activities of £11,973k (£17,258k in 2010/11) include the following interest elements :

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

**46. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

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

**47. CASH FLOW STATEMENT - FINANCING ACTIVITIES**

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

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

for the year ended 31st March 2012

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

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

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

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

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

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

for the year ended 31st March 2012

### 1. LEGISLATION

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

### 2. HOUSING STOCK

The type and number of dwellings at 31st March 2012 were :-

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

### 3. RENT ARREARS

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

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

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

#### 4. NON-CURRENT ASSET ACCOUNTING

##### Capital Financing

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

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

##### Major Repairs Allowance (MRA)

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

##### Capital Receipts

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

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

##### Depreciation

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

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

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

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

**CLWYD PENSION FUND ACCOUNTS**

for the year ended 31st March 2012

**THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND**

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

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

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

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

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

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

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are 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 31st March 2012 is shown below:-

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

## CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

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

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

The admitted bodies contributing to the Fund are :-

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

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

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

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year end as at 31st March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is, disclosed at Note 15 of these accounts.

In summary, accounting policies adopted are detailed as follows:

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

## CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

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



**CLWYD PENSION FUND ACCOUNTS**  
for the year ended 31st March 2012

	Note	2012 £000	2011 £000
<b>Net Assets Statement</b>			
<b>Investment Assets :</b>			
	<b>5</b>		
Managed fixed interest fund		170,075	123,024
Managed UK equity funds		104,624	161,383
Managed overseas equity funds		334,144	263,366
Managed multi strategy funds		118,080	88,318
Property funds		75,307	65,317
Infrastructure funds		23,414	20,753
Timberland funds		14,686	12,212
Commodity funds		36,879	39,814
Private equity funds		122,318	112,563
Hedge fund of funds		47,321	50,646
Leveraged loans		530	16,346
Futures contracts		0	665
Other investment assets	<b>8</b>	3	1,218
Cash	<b>7</b>	36,476	97,373
<b>Investment Liabilities :</b>			
Futures contracts		0	(169)
Other investment liabilities	<b>8</b>	0	(1,195)
<b>Current Assets :</b>			
Due within 1 year	<b>9</b>	3,703	4,157
Due over 1 year	<b>9</b>	200	359
<b>Current liabilities</b>	<b>9</b>	(26,937)	(4,335)
<b>NET ASSETS AT 31ST MARCH</b>		1,060,823	1,051,815

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

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

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of pensionable employees. The total contributions received from employers during 2011/12 amounted to £50.654m (£51.433m in 2010/11). This comprised an amount of £26.663m (£29.823m in 2010/11) relating to the common contribution rate average of 12.5% paid by all employers and £23.991m (£21.610m in 2010/11) relating to the individual adjusted rates and additional contributions paid in respect of deficit funding for individual employers.

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

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

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

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

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

### 2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES (continued)**

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

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Administration Expenses</b>		
Employee Costs	567	589
Support Services	189	167
Supplies and Services	395	217
Audit Fees	35	36
Actuarial Fees	58	131
Performance Monitoring Fees	0	24
Consultancy Fees	0	98
	<u>1,244</u>	<u>1,262</u>
<b>Investment Expenses</b>		
Fund Management Fees	5,155	5,027
Custody Fees	39	53
Performance Monitoring Fees	24	0
Consultancy Fees	49	0
	<u>5,267</u>	<u>5,080</u>
<b>Total Fees</b>	<u><u>6,511</u></u>	<u><u>6,342</u></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 £4.9m during the year (£3.9 during 2010/11).

**3. INVESTMENTS AND PERFORMANCE**

Further details on the investment strategy are available in the Statement of Investment Principles which can be obtained from the Head of Finance, County Hall, Mold, CH7 6NA (Web site [www.clwydpensionfund.org.uk](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 2011/12 showed that the Fund achieved an overall return of +2.4% from its investments (+7.8% in 2010/11). This compares with the Fund's benchmark return of +4.4% for the year.

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

## Transactions and Return on Investments

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

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

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

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

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

**By Continent**

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

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

## By Fund Manager

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

## By Listed /Managed

	2012			2011		
	Listed Managed	Listed	Unlisted	Listed Managed	Listed	Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	170,075	0	0	123,024
UK Equities	104,624	0	0	97,724	2,244	61,415
Overseas Equities	281,531	134	52,480	211,685	156	51,525
Multi Strategy	118,080	0	0	88,318	0	0
Property	43,615	0	31,691	42,551	0	22,766
Infrastructure	0	4,287	19,127	0	3,965	16,788
Timber	0	0	14,686	0	0	12,212
Commodities	0	0	36,879	0	0	39,814
Private Equity	0	4,170	118,148	0	4,922	107,641
Hedge Fund of Funds	21,467	0	25,854	23,269	0	27,377
Leveraged Loans	0	0	530	0	0	16,346
	<u>569,317</u>	<u>8,591</u>	<u>469,470</u>	<u>463,547</u>	<u>11,287</u>	<u>478,908</u>
			<u>1,047,378</u>			<u>953,742</u>

## 6. FAIR VALUE OF INVESTMENTS

## Financial Instruments

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

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

## Fair Value – Valuation Bases

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

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

**6. FAIR VALUE OF INVESTMENTS (continued)**

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

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

- Infrastructure investments are generally carried at the lower of cost and fair value, except where there are specific upward or downward valuations. In estimating fair value, managers use their 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 31st March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.



**NOTES TO THE CLWYD PENSION FUND ACCOUNTS**

continued

**6. FAIR VALUE OF INVESTMENTS (continued)**

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

**Fair Value – Hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 6. FAIR VALUE OF INVESTMENTS (continued)

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

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

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

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 6. FAIR VALUE OF INVESTMENTS (continued)

In the period post closure and reporting of the accounts, further details will be received on the valuations of Property, Private Equity, Infrastructure, Leveraged Loan and Timber investments within the Fund. It is estimated that the Fund has been undervalued by £2.297m which equates to approximately 1% of these funds. The table below shows the valuations reported in these accounts for the four investment categories alongside the final updated valuations provided.

		2012 Reported £000	2012 Updated £000
Property funds		75,307	75,952
Infrastructure funds		23,414	23,571
Timberland funds		14,686	15,184
Private equity funds		122,318	123,358
Leveraged loan fund		530	486

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

## 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

continued

**7. INVESTMENT RISKS (continued)****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 31st March 2012 was £36.476m (£97.373m at 31st March 2011). This was held as follows:

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**7. INVESTMENT RISKS (continued)**

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

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

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

**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.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 7. INVESTMENT RISKS (continued)

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

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

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 2012. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation.

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 7. INVESTMENT RISKS (continued)

**Market Risk**

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

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

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

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



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

**7. INVESTMENT RISKS (continued)**

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:

	<b>Market Value 2012</b>	<b>Managers</b>	<b>Funds</b>	<b>Properties / Companies Estimated</b>
	<b>£000</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Real Assets	113,406	19	31	>280
Private Equity	122,318	19	53	>4,000

**Other Price Risk**

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 7. INVESTMENT RISKS (continued)

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

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

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

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

Asset Type	Market Value 2011/12	Percentage Change %	Value on Increase £000	Value on Decrease £000
<b>Cash and cash equivalents</b>	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>

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 7. INVESTMENT RISKS (continued)

Asset Type	Market Value 2010/11	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	97,373	0	97,373	97,373
<b>Investment portfolio assets:-</b>				
Global Equity inc UK	51,526	15	59,116	43,936
UK Equity	161,383	18	189,673	133,093
Overseas Equity	211,840	16	244,696	178,984
Global Fixed Income	123,024	5	129,704	116,344
Alternatives	340,652	4	354,040	327,264
Property	65,317	6	69,243	61,391
Net Derivative Assets	496	0	496	496
Amounts payable for Purchases	(1,195)	0	(1,195)	(1,195)
	<u>1,050,416</u>		<u>1,143,146</u>	<u>957,686</u>

**Interest Rate Risk**

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

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

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

continued

## 7. INVESTMENT RISKS (continued)

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

## Currency Risk

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

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

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

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 7. INVESTMENT RISKS (continued)

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

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

## 8. OTHER INVESTMENTS

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

## 9. DEBTORS/CREDITORS

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

## Analysis of debtors

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

## Analysis of creditors

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

### 10. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2012. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

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

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

### 11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

Contributions paid		£ 561,494
Units purchased	No.	86,366
Units sold	No.	116,651
Market value as at 31st March 2012	£	3,824,312
Market value as at 31st March 2011	£	3,683,250

### 12. RELATED PARTY TRANSACTIONS

#### Governance

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

#### 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 £802,768 (£847,104 in 2010/11).

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

### 12. RELATED PARTY TRANSACTIONS (continued)

These costs are in respect of those staff employed in ensuring the pension service is delivered, and other costs such as payroll and information technology. The costs are included in the accounts within administration expenses (see note 2). At the year end, a net balance of £1.039m was owing to Flintshire in relation to creditors payments made on behalf of the fund and support service costs which were not available as at 31st March 2012.

### 13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2012, the Fund has contractual commitments of £383.4m in private equity and property funds, of which £283.2m has been invested, leaving an outstanding commitment of £100.2m.

### 14. TRANSACTION COSTS

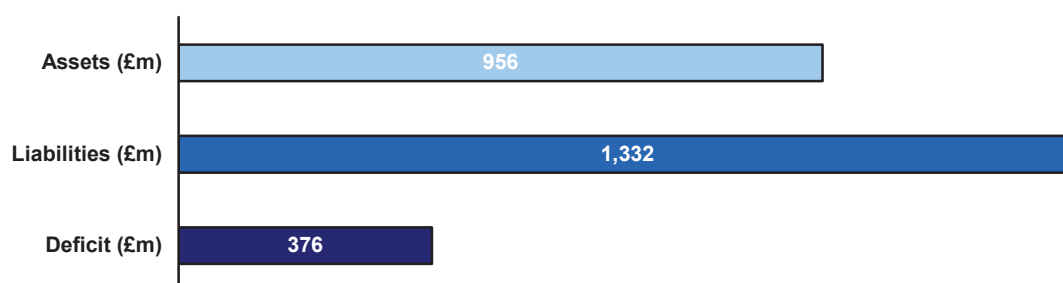
Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. They can be added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



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.



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

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:

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Common Contribution Rate)</b>
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.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

continued

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

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

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

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

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

**Paul Middleman**

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2012

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

I have audited the accounting statements and related notes of:

- Flintshire County Council; and
- Clwyd Pension Fund

for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

Flintshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Clwyd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the responsible financial officer is responsible for the preparation of the statement of accounts, including pension fund accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Flintshire County Council's and Clwyd pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Flintshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

continued

**Opinion on the accounting statements of Clwyd Pension Fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2012 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

The audit cannot be formally concluded and an audit certificate issued until enquiries arising from a matter raised by a member of the public has been formally completed.

**Anthony Barrett**  
**Appointed Auditor**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
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**Signature**

**Date: 26 September 2012**

## ANNUAL GOVERNANCE STATEMENT

for the year ended 31st March 2012

This statement has the following five sections:-

1. Scope of Responsibilities.
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 be assured whether public services are well-designed, provided and resourced in pursuit of those objectives.

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

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

### 3. THE GOVERNANCE FRAMEWORK

#### Code of Corporate Governance

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

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

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

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

#### Members

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

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

In addition the Council has the following Standing Committees:-

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

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

**ANNUAL GOVERNANCE STATEMENT**

continued

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.

**Officers**

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

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

**Monitoring Officer**

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

**Finance**

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

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

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

## ANNUAL GOVERNANCE STATEMENT

continued

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

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

### Flintshire Futures

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

The Flintshire Futures Programme has four sub programmes:-

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

### Business Planning

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

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

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

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



## ANNUAL GOVERNANCE STATEMENT

continued

### **Risk Management**

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

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

The SARC has three sections:-

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

The SARC risks are described in:-

- Directorate Plans
- Service Plans
- Quarterly performance reports

### **Business Continuity**

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

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

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

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

### **Regulation and Assurance**

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

## ANNUAL GOVERNANCE STATEMENT

continued

### **Audit Committee**

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

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

### **Internal Audit**

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

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

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

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

### **Whistle blowing**

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

### **Complaints**

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

## ANNUAL GOVERNANCE STATEMENT

continued

### Corporate Strategies

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

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

### Partnerships

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

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

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

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

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

## ANNUAL GOVERNANCE STATEMENT

continued

**4. REVIEW OF EFFECTIVENESS**

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

**Council Constitution**

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

**Code of Corporate Governance**

Commencing in October 2011 an annual review and update of the Code of Corporate Governance was undertaken. This year for the first time that was coordinated by the Code of Corporate Governance Officer Working Group. The Working Group was formed in response to recommendations from the Wales Audit Office and the Council's Internal Audit by the Council's Corporate Management Team at a meeting on 18<sup>th</sup> October 2011. The two main tasks of the Working Group are to update annually the Code of Corporate Governance and to prepare the Annual Governance Statement.

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

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

**Members**

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

Various planning topics as determined by Planning Protocol Working Group:-

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

**ANNUAL GOVERNANCE STATEMENT**

continued

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

**Officers**

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

**Council (Plan) Governance Framework**

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

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

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

**Business Planning – Improvement Plan**

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

**Business Planning - Quarterly Performance Reports**

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

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

- Section 1 - Foreword
- Section 2 – Performance Summary
- Section 3 – Exception Reporting

**Risk Management**

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

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

## ANNUAL GOVERNANCE STATEMENT

continued

SARC is an effective tool:-

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

The Council's risk management arrangements include:-

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

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

### **Business Continuity**

A fresh round of testing held in October 2011 was compiled to help the owner/author of the plans to understand the importance of this and other issues to give senior management assurance on the robustness of the plans. The aim of the exercise was to test the resilience of the mission critical business continuity plans, paying particular attention to winter resilience, alternative accommodation requirements and ICT replacement facilities, and to identify any other shortfalls. It was also an opportunity for newly appointed employees, with responsibility for Business Continuity in their remit, to gain knowledge and practical experience of business continuity requirements.

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

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

### **Partnerships**

#### **National Partnerships**

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

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

#### **Regional Partnerships**

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

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

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

## ANNUAL GOVERNANCE STATEMENT

continued

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

### **Local Strategic Partnerships**

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

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

### **Budget Setting**

In March 2012 the Council set the 2012/13 budget. The decrease of 0.2% in Flintshire's Revenue Support Grant from Welsh Government in 2012/13 came on top of a decrease of 1.7% in the previous year. This combined with the impacts of no provision for inflation, plus the costs of funding new pressures resulted in significant efficiencies being needed to produce a balanced budget. Despite this challenge the budget headlines can be summarised as follows:-

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

### **Capital Programme**

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

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

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

### **Flintshire Futures**

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

## ANNUAL GOVERNANCE STATEMENT

continued

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

### **Internal Audit**

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

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

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

The Internal Audit Manager reviewed the role of the Flintshire Head of Finance and concluded that it meets the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government with a few minor exceptions that have no impact which will be addressed in 2012/13.

### **Audit Committee**

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

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

### **Finance Function Review**

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



## ANNUAL GOVERNANCE STATEMENT

continued

**5. SIGNIFICANT GOVERNANCE ISSUES****WAO Improvement Report**

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

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

**Single Status**

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

**Medium Term Financial Strategy and Medium Term Financial Plan**

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

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

**Housing Stock Transfer**

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

## ANNUAL GOVERNANCE STATEMENT

continued

### School Modernisation

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

### SARC

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

#### CD10a Leisure - Revenue Funding

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

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

#### CD20 School Buildings/ School Modernisation

Condition, suitability and sufficiency of education assets.

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

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

#### CD38 Welfare Reform

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

In preparation for this the Council is:-

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

## ANNUAL GOVERNANCE STATEMENT

continued

## CG23 Data Protection

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

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

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

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

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

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

# Audit of Financial Statements Report

## **Flintshire County Council**

**Audit years:** 2011-12

**Issued:** September 2012

**Document reference:** 501A2012

# Status of report

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This document has been prepared for the internal use of Flintshire County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk).

The team who delivered the work comprised:  
John Herniman, Amanda Hughes and Ron Parker.

# Contents

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The Appointed Auditor intends to issue an unqualified audit report on your 2011-12 financial statements, however, there are some issues to report to you prior to their approval.

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## Summary report

Introduction	4
Proposed audit report	4
Significant issues arising from the audit	5

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## Appendices

Final Letter of Representation 2011-2012	9
Proposed 2011-2012 audit report of the Appointed Auditor to Flintshire County Council	12
Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance	14

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# Summary report

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## Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Flintshire County Council at 31 March 2011 and 31 March 2012 and its income and expenditure for the years then ended.
2. We received the draft financial statements for the year ended 31 March 2012 on 30 June 2012 and have now substantially completed the audit work. However, due to a number of significant adjustments to the accounts and delays in receiving information to support certain items (non-current assets and equal pay provisions), audit work is still ongoing. Should anything further arise from this work an update will be provided to both the Audit Committee and County Council meeting when the accounts are approved on 25 September. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Kerry Feather, Head of Finance.
3. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
4. The quantitative levels at which we judge such misstatements to be material for Flintshire County Council are £5.092 million for income and expenditure items and working capital balances, and £8.224 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

## Proposed audit report

5. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
6. However, there will be a modification to the audit report as a member of the public has recently made enquiries with the Appointed Auditor about Communities First monies. Therefore whilst we can give the opinion on the financial statements, we cannot formally conclude our other audit responsibilities and issue the certificate of audit closure.
7. The proposed audit report for 2011-12 is set out in [Appendix 2](#).



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## Significant issues arising from the audit

### Uncorrected misstatements

8. We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

#### Non-current assets are overstated as a number of assets have not been depreciated

- It was identified that there is no process in place to review asset lives on revaluation. The new asset system automatically calculates depreciation based on the asset life held in the system, which reduces by one year each year. As a result, some asset lives were reduced to nil even though they had been revalued and are still in use. This resulted in depreciation being understated and non-current assets being overstated by £628,000.

#### Grants received in advance are incorrectly classified on the face of the balance sheet

- Grants received in advance should be separately disclosed on the face of the balance sheet. Currently, £4.710 million of grants received in advance are incorrectly disclosed as short-term creditors.

### Corrected misstatements

9. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#) and the more significant are explained in more detail below.

### Other significant issues arising from the audit

10. In the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year.

#### We have some concerns about the qualitative aspects of your accounting practices and financial reporting

11. We have the following concerns about the qualitative aspects of your accounting practices and financial reporting.

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### Non-current assets and related accounts were subject to extensive restatement

12. During 2011-12 the Council introduced a new fixed asset software system (Technology Forge). The non-current asset balances contained in the accounts should be derived from this system. However, it was identified early in the audit that the accounts did not reconcile back to the asset system.
13. The exercise to provide a reconciliation, of which there were numerous versions, identified that the draft financial statements did not accurately reflect the underlying asset system and the non-current asset figures were subject to extensive restatement. The extent of the restatement meant that we could not conduct our audit work in this area until we received a final reconciliation, which we have referred to in paragraph 20.
14. The balance on the revaluation reserve should be the difference between historic net book value (held on the asset register) and the current net book value of non-current assets in the balance sheet. This was not the case, as transactions were misclassified between the revaluation reserve and the capital adjustment account.
15. The capital adjustment account should clearly show the charges for depreciation and impairment that have been charged to the revenue account and reflected in the non-current asset note. Whilst we are satisfied that the transactions are materially correct, the audit trail of transactions between the two account areas is difficult to follow. It is essential that the Council provides clear and explanatory working papers, at the commencement of the audit, in future.
16. The Council's accounting policy states that investment properties are revalued each year. However, the valuation exercise for 2011-12 was based on incomplete records and as a result six investment properties have not been subject to an annual revaluation.

### There are a number of general issues relating to the quality of the accounts and supporting records

17. In 2010-11 we recommended that the Council carry out a 100 per cent revaluation of its housing stock in 2011-12, to establish a baseline following the inconsistent application of its accounting policy. This revaluation took place. However, the information provided to the valuer does not allow him to properly adopt the Beacon principle (an agreed valuation methodology for housing stock) when valuing the stock. Whilst we are satisfied that the valuation of housing stock is materially stated at the year-end, we would recommend that the Council ensures that it is able to provide the valuer with the information needed to allow the Beacon methodology to be fully adopted.
18. Councils are required to prepare their financial statements in accordance with the Code of Practice on Local Authority Accounting. The revised accounts mainly meet disclosure requirements, but some departures still exist. In future, we recommend that the Council uses the Code's disclosure checklist to ensure that the accounts fully comply with disclosure requirements and that the draft accounts are subject to a quality review. In addition, the style and format of the statements could be improved to ensure best practice and consistency with other local authorities and assist the reader.

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19. We have reported for the last two years that the accounts contain balancing entries, and we recognise that work has been done to resolve these and that the amounts have reduced considerably. However, the income and expenditure account and the cash flow still contain balancing entries of £46,000 and £213,000 respectively, and it remains imperative that the Council identifies the accounting entries that make up the remaining balances and resolves them in the 2012-13 financial statements.

**We encountered some difficulties during the audit**

20. Whilst we received the draft financial statements by the deadline of 30 June 2012, aspects of the statements relating to non-current assets were subject to considerable revision and we did not receive the final version of these revisions until the last week of August. Whilst we appreciate that these issues were caused by the implementation of new software and that staff were working very hard to resolve the issues, it nonetheless hampered progress with the audit.
21. Otherwise we received information in a timely and helpful manner.

**There are three matters significant to the oversight of the financial reporting process that we need to report to you**

**The Council needs to ensure that it does not over rely on external advice when preparing its financial estimates**

22. We reported last year that, in common with most local authorities in Wales, the Authority was in the process of assessing the potential liability for equal pay settlements with employees. Following detailed discussions with management, we were satisfied that a reasonable accounting provision, based on information then available, was recognised in the accounts for this liability.
23. However, we reported that further work was necessary to underpin the estimate with detailed information based on employee data. During the year, the Council has made progress in this respect, as part of the wider Single Status project, and engaged an independent expert in this field to prepare detailed calculations of the potential liability.
24. These figures were then used as the basis of the financial provision in the accounts but were not subject to any detailed review (to ensure understanding) or challenge (to ensure agreement). In addition, when challenged at audit, the Council were not able to provide supporting evidence or the full rationale behind some of the assumptions used, instead placing full reliance on the work of the independent expert. As such, there was insufficient care and ownership of the entries in the financial statements. As a result the figure included in the accounts has been amended to better reflect the potential liability.
25. Whilst it is appropriate to seek external advice, Council officers need to ensure that they are satisfied that the basis of the calculation and assumptions used are robust before advising the Council on the final implementation stages of single status.

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The authority has not recognised a liability for pension contributions on its equal pay liabilities.

26. As set out in the previous section the Council is in the process of agreeing equal pay settlements with employees and the accounts include a provision in respect of this liability. The authority has, on the basis of legal advice available to it, not provided for pension contributions on this liability. However, it has included a nominal sum to buy out any pension obligations.
27. The Appointed Auditor has been provided with legal advice which suggests that pension contributions should be made on the payments to resolve the equal pay claims.
28. In light of the diverging legal views and the uncertainty regarding the need to recognise a provision in respect of pension contributions on equal pay settlements, the Appointed Auditor has concluded that he is not required to undertake any further action regarding this matter as part of the 2011-2012 audits of accounts.
29. The authority needs to be alert to any future court decisions on this issue that could clarify the legal position and impact on need for a provision. In the event of any such decisions, the Appointed Auditor will also need to reconsider his position.

A number of members failed to return related party declarations which were required to comply with disclosure requirements

30. The Code of Practice requires the Council to disclose details of related party transactions within its accounts. In order to gather the relevant information, the Head of Finance wrote to members specifically seeking details of related party interests, for the statement of accounts, by 26 April 2012. However, 10 members failed to submit returns which mean that the related party disclosures may not be complete.

We did not identify any material weaknesses in your internal controls

31. As part of its work Internal Audit make recommendations on identified weaknesses in internal control. A number of recommendations relating to financial systems have either not been addressed for over a year, or actions taken were not effective to resolve the identified weaknesses.
32. It is essential that control weaknesses are fully addressed in a timely manner and that the Audit Committee holds officers to account where this is not taking place.

There were no significant matters discussed and corresponded upon with management which we need to report to you.

# Appendix 1

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## Final Letter of Representation

Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

## Representations regarding the 2011-12 financial statements

This letter is provided in connection with your audit of the financial statements of Flintshire County Council for the year ended 31 March 2012.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice for Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements, such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- 
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
  - our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
  - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
  - the identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

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

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

The basis of the calculation and the assumptions applied in relation to the Equal Pay provision are reasonable and are based on the best information available at this time. These estimates will be refined as part of the ongoing work on reaching a settlement on Single Status and Equal Pay over the coming months.

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

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

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

The financial statements are free of material misstatements, including omissions.

Materiality considerations were taken into account in determining not to adjust the identified 'Uncorrected Misstatements' in relation to non-current assets and grants received in advance.

The effects of the uncorrected misstatements are not considered material and any ongoing effects relating to these audit points will be resolved during 2012/13.

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## Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 25 September 2012.

Signed by:

Kerry Feather

Head of Finance

Date: 25 September 2012

Signed by:

Date: 25 September 2012

# Appendix 2

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## Proposed audit report of the Appointed Auditor to Flintshire County Council

### Independent auditor's report to the Members of Flintshire County Council

I have audited the accounting statements and related notes of:

- Flintshire County Council; and
- Clwyd Pension Fund

for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

Flintshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Clwyd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 based on International Financial Reporting Standards (IFRSs).

### Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages ... to ..., the responsible financial officer is responsible for the preparation of the statement of accounts, including pension fund accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Flintshire County Council and Clwyd Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.



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### Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

### Opinion on the accounting statements of Clwyd Pension Fund

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2012 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

### Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

### Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

### Certificate of completion of audit

The audit cannot be formally concluded and an audit certificate issued until enquiries arising from a matter raised by a member of the public has been formally completed.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Appendix 3

### Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
Cost at 31 March 2012: Council Dwellings and Garages           £   -645,000 Other Land and Buildings £   -2,356,000 Surplus Assets   £   -7,201,000 Total                £ -10,202,000	Note 20 Property, Plant and equipment. From the review of this, it was identified that the asset register did not reconcile with the statement of accounts and the ledger. Following further work, numerous adjustments were identified that in total amounted to £7.773 million.	Correction of errors and to comply with correct accounting treatment for depreciation, impairment and revaluation.
Depreciation and Impairment: Council Dwellings and Garages           £    121,000 Other Land and Buildings £   2,364,000 Vehicles, Plant, Furniture & Equipment       £   -144,000 Surplus Assets   £    315,000 Infrastructure Assets £   -204,000 Community Assets £     -23,000 Total                £    2,429,000	This also resulted in amendments to the primary statements and a number of other supporting notes.	
Net Book Value: Council Dwellings and Garages           £   -524,000 Other Land and Buildings £       8,000 Vehicles, Plant, Furniture & Equipment       £   -144,000 Surplus Assets   £   -6,886,000 Infrastructure Assets £   -204,000		

Value of correction	Nature of correction	Reason for correction
Community Assets £ - 23,000 Total £ -7,773,000		
-£5,000	Note 30 Assets held for sale. From the review of this, it was identified that the asset register did not reconcile with the statement of accounts and the ledger.	Correction of errors and to comply with correct accounting treatment for depreciation, impairment and revaluation.
Narrative amendment	Additional wording added to the accounting policy on heritage assets.	To inform the reader.
Narrative amendment	Additional disclosure made in Note 11 Related Parties to disclose transactions with Anglesey County Council and to note that 10 members had failed to complete an annual return.	To comply with the Code of Practice and to inform the reader.
Number of exit packages in band £0-£20,000 + 1	To reflect the correct number of exit packages in the relevant band.	Correction of an error.
£0	Note 19 Intangible Assets Layout amended.	To comply with the Code of Practice.
Additional disclosure	Note 23 Capital Expenditure and Capital Financing Layout amended.	To comply with the Code of Practice.
£8,000	Note 32 Short Term creditors Amount under accrued as a result of a calculation error on a working paper.	Correction of an error.
-£5.498 million	Note 34 Provision Reduction in the provision.	To better reflect the potential liability.
£33.293 million	Note 36 Earmarked Reserves Reclassify reserves from council fund to earmarked reserves.	To comply with the Code of Practice and correctly classify earmarked reserves.
-£5.498 million	Note 37 Unusable Reserves Reduction in the Equal Pay reserve.	To reflect the adjustment to the provision in Note 34.
-£45.601 million	Note 37 Unusable Reserves Reduce revaluation reserve to reflect the amendments to Note 20.	Reconciliation of balance in the revaluation reserve between asset register and balance sheet was

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Value of correction	Nature of correction	Reason for correction
		incorrect.
£37.823 million	Note 37 Unusable Reserves Increase Capital Adjustment Account to reflect the amendments to Note 20.	Reconciliation of balance in the capital adjustment account between asset register and balance sheet was incorrect.



WALES AUDIT OFFICE  

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

# Audit of Financial Statements Report

## **Clwyd Pension Fund**

**Audit year:** 2011-12

**Issued:** September 2012

**Document reference:** 498A2012

# Status of report

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This document has been prepared for the internal use of Clwyd Pension Fund as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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The team who delivered the work comprised:  
John Hemiman, Phil Pugh, Ron Parker and Simon Monkhouse.



# Contents

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The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

## Summary report

Introduction	4
Proposed audit report	4
Significant issues arising from the audit	5

## Appendices

Final Letter of Representation	7
Proposed audit report of the Appointed Auditor to Flintshire County Council	10
Summary of corrections made to the draft financial statements which should be drawn to the attention of Flintshire County Council	12

# Summary report

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## Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Clwyd Pension Fund at 31 March 2012 and its income and expenditure for the year then ended.
2. We received the draft financial statements for the year ended 31 March 2012 on 30 June 2012, and have now substantially completed the audit work. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Kerry Feather, Head of Finance.
3. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
4. The quantitative levels at which we judge such misstatements to be material for Clwyd Pension Fund are £817,000 for income and expenditure items and working capital balances, and £10.8 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

## Proposed audit report

5. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
6. However, as part of its investment portfolio, the Pension Fund has substantial holdings in unquoted investment funds (£227.798 million). In the financial statements, these are valued at fair value by fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgement, and due to the subjectivity of these valuations, the fair value of these investments may differ from their realisable values. The difference could be material.
7. In 2010-11 the audit opinion was not modified but it did include an Emphasis of Matter note, to draw to the readers' attention the uncertainties relating to the valuation of unquoted investments. For 2011-12 the audit opinion will not include an Emphasis of Matter note. This change results from our review of the audited accounts of the investment managers, which did not include any Emphasis of Matter this year, compared to previous years where several have declared these. The other reason is that the Authority has disclosed the uncertainty of unquoted investments in Note 6 Fair Value of the Pension Fund accounts.
8. In completing our audit work, we have reviewed the latest available audited financial statements of the various funds, the year-end investment manager valuation reports, and the reports on controls in operation (IASE 3402 Type 11) reports which supercede the reports formerly referred to as SAS70 reports.

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## Significant issues arising from the audit

### Uncorrected misstatements

9. There is one misstatement identified in the financial statements, which remains uncorrected. An explanation of this is set out below and this has been discussed with management but remains uncorrected. We therefore request that you consider whether to correct this item or provide us with the reasons for non-correction in the Letter of Representation. The value of the misstatement is below our materiality level and so if you decide not to correct it we would still be able to provide an unqualified opinion on the statements.
10. There is an understatement in the value of investments in the financial statements of £2,297,087 because, in preparing the draft financial statements at the year-end, the Authority uses the latest investment valuation reports available to it. As part of our audit work we write to all investment managers to obtain final year-end valuation reports. This information is then compared to the investment valuations disclosed in the draft financial statements. As expected, due to more up to date information being available in respect of the valuation of investments at 31 March 2012, the financial statements are understated by £2,297,087.

### Corrected misstatements

11. As a result of the audit there are a number of misstatements identified that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

12. In the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. This year:
  - We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
  - We have no major concerns about the qualitative aspects of your accounting practices and financial reporting. We found the information provided to be relevant, reliable, and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - The Pension Fund's administrators prepare, good quality, year-end closing files, which incorporate all the relevant information needed to produce the year-end statements of account.
  - We did not encounter any significant difficulties during the audit.

- 
- There were no significant matters discussed and corresponded upon with management which we need to report to you.
  - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
  - We did not identify any material weaknesses in your internal controls.
- 13.** In 2010-11 we identified issues relating to backlogs of lump sum payments, which resulted in an amendment to the accounts. From the work performed this year we have not identified a similar issue and there has been no requirement to amend the accounts in 2011-12.

# Appendix 1

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## Final Letter of Representation

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

25 September 2012

## Representations Regarding the 2011-12 Financial Statements

This letter is provided in connection with your audit of the financial statements of Clwyd Pension Fund for the year ended 31 March 2012.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management Representations

### Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information Provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- 
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
  - our knowledge of fraud or suspected fraud that we are aware of and that affects Clwyd Pension Fund and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
  - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
  - the identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial Statement Representations

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

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

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

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

Local Government Investment Regulations require a pension fund, when formulating its investment policy, to consider the full range of investments and give reasons if some asset classes are excluded. The Clwyd Pension Fund fundamentally considers its asset allocation every three years including an optimisation exercise which quantifies the risk and return from a combination of asset classes to provide, at total fund level, both diversification and a return to meet future liabilities. This has led to an allocation to Private Equity due to the assets classes' potential to generate higher returns than other asset classes. The Clwyd Pension Fund has had an allocation to Private Equity since the early 1990s. To manage risk, the Pension Fund has commitments to over 50 direct private equity funds or private equity fund of funds with over 15 different managers.

The life of a typical private equity fund is usually about 10 years. During this period investments are usually made for the first five years and then these assets are realised over the next five years. Typically, the Pension Fund is committed to make draw downs to the fund for about five years and usually receives distributions for the next five years. During the life of the fund it is valued quarterly using the appropriate industry standards but there is inherent uncertainty associated with their valuation, as the only definite points for valuing investments are at the point of investment and realisation. In theory, in the early life of a fund it would usually show a negative return and then returns should increase through the life of

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the fund as underlying investments are developed and sold. This theory is known as the 'J Curve'.

Clearly, there is no liquid market for private equity investments (by definition) and consequently the estimated fair value of private equity investments will always differ from their 'realisable values' at any particular time and, for technical reasons, I understand that the external auditor must refer annually to this difference.

In light of this inherent uncertainty, the value as at 31 March of a number of investments will not be known at the time of the closure of the accounts because valuation processes by third parties will be incomplete. An estimate is reported in the financial statements and actual values disclosed as a note in the accounts (Note 6 – Fair Value of Investments). As reported in Note 6, the Fund has been undervalued by £2.297 million which equates to approximately one per cent of the total value of these types of investments. I understand that the external auditor must refer to this difference as an unadjusted misstatement.

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

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

### Representations by Flintshire County Council as administering authority for the Clwyd Pension Fund

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 25 September 2012.

Signed by:  
Kerry Feather  
Head of Finance

Date: 25 September 2012

Signed by:

Date: 25 September 2012

# Appendix 2

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## Proposed audit report of the Appointed Auditor to Flintshire County Council

### Independent auditor's report to the Members of Flintshire County Council

I have audited the accounting statements and related notes of:

- Flintshire County Council; and
- Clwyd Pension Fund

for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

Flintshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Clwyd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 based on International Financial Reporting Standards (IFRSs).

### Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on pages ... to ...], the responsible financial officer is responsible for the preparation of the statement of accounts, including pension fund accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Flintshire County Council and Clwyd Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes.



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If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

#### Opinion on the accounting statements of Clwyd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2012 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

#### Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

#### Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

#### Certificate of completion of audit

The audit cannot be formally concluded and an audit certificate issued until enquiries arising from a matter raised by a member of the public has been formally completed.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

28 September 2012

## Appendix 3

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### Summary of corrections made to the draft financial statements which should be drawn to the attention of Flintshire County Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£21.467 million	<p>Note 5 – Market Value of Investments</p> <p>The value of ‘unlisted’ Hedge funds has been reduced by £21.467 million with a corresponding increase in the ‘listed’ hedge fund category.</p>	To ensure the correct disclosure of the value of listed and unlisted Hedge Fund of Funds investments.
£2.563 million	<p>Note 13 – Contingent Liabilities and Contractual Commitments.</p> <p>The value of contractual commitments of invested funds has increased by £2.563 million with a corresponding decrease in the value of outstanding commitments.</p>	To correct the errors identified in respect of the level of investments drawn down for four of the investment funds.



WALES AUDIT OFFICE  

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** FLINTSHIRE COUNTY COUNCIL

**DATE:** 25 SEPTEMBER 2012

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

**SUBJECT:** ANNUAL GOVERNANCE STATEMENT

### **1.00 PURPOSE OF REPORT**

1.01 For Council to approve the annual governance statement.

### **2.00 BACKGROUND**

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

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

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

2.04 The draft AGS was prepared in compliance with "Delivering Good Governance in Local Authorities: A Framework" published jointly by CIPFA and SOLACE. It was then submitted to the Chief Executive, the Section 151 officer and the Monitoring Officer for their observations.

- 2.05 The draft AGS was reported to the Audit Committee meeting of the 17 July when it was approved subject to two amendments. The first amendment was to indicate at the start the five sections of the statement. The second was to include at the start of section 2 reference to staff and other resources. These amendments have been incorporated into the AGS which is at the end of the statement of accounts attached to the previous item.

### **3.00 CONSIDERATIONS**

- 3.01 In accordance with “Delivering Good Governance in Local Authorities: 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 At its meeting the Audit Committee members were requested to consider:-

1. Whether the statement accurately reflects the governance framework in place in the authority.
2. Whether the committee were satisfied with the overall review of effectiveness, and
3. Whether the committee agreed that the significant governance issues facing the authority are as described in the statement.

- 3.03 A lot of detailed work has gone into the production of the AGS and if a Member believes it to contain any inaccuracies or has any queries about it, it would be helpful if this could be raised prior to the meeting itself so that issues can be properly researched prior to the meeting.

### **4.00 RECOMMENDATIONS**

- 4.01 For Council to approve the AGS.

### **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 and Audit Committee.

**11.00 CONSULTATION UNDERTAKEN**

11.01 The preparation of the AGS involved consultation with all Heads of Service and with the Chief Executive, the Section 151 officer and the Monitoring Officer. It was also considered by the Audit Committee at its meeting on the 17 July 2012.

**12.00 APPENDICES**

12.01 Appendix 1 – Membership of the Working Group

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

**Contact Officer:** Peter Evans  
**Telephone:** 01352 702304  
**Email:** peter.j.evans@flintshire.gov.uk

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**Corporate Governance Working Group Membership**

Peter Evans (Chair)	Democracy & Governance Manager
Vicki Woolf	Risk Manager
Karen Armstrong	Policy Performance & Partnerships Manager
Liz Thomas	Finance Manager, Strategy & Technical
David Webster	Head of Internal Audit

Note: Angela Peters kindly remaining temporarily notwithstanding her new appointment.

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## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** FLINTSHIRE COUNTY COUNCIL

**DATE:** TUESDAY, 25 SEPTEMBER 2012

**REPORT BY:** HEAD OF FINANCE (TREASURER AND ADMINISTRATOR TO THE FUND)

**SUBJECT:** CLWYD PENSION FUND UPDATE

### **1.00 PURPOSE OF REPORT**

1.01 To update Members on issues relating to the Clwyd Pension Fund ("the Fund").

### **2.00 BACKGROUND**

- 2.01 As set out in previous reports to Council, the Clwyd Pension Fund is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme Regulations). The required levels of employee contributions are also specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every 3 years.
- 2.02 The Fund is administered by Flintshire County Council on a "lead authority" basis. Flintshire County Council is a member of the Fund along with Wrexham County Borough Council, Denbighshire County Council and a range of other scheduled and admitted bodies.
- 2.03 Pension Fund matters are a Council rather than Executive function. Authority to manage the Clwyd Pension Fund is delegated to the Head of Finance who is Treasurer and Administrator to the Fund. The Clwyd Pension Fund Panel, made up of elected Members from Flintshire, Wrexham and Denbighshire, is an advisory body on pension fund issues. The Panel also has a Staff/Union Observer nominated by Trade Unions and is advised by an Independent Adviser/Consultant.
- 2.04 The Pension Fund Panel holds quarterly meetings, the minutes of which are available from the Contact Officer. The Council is updated twice a year and the previous update was to Special County Council on 21<sup>st</sup> February 2012. This report covers the items discussed at the 31<sup>st</sup> May 2012 Panel (an 'Officer Panel' due to the local elections) and 9<sup>th</sup> August 2012 which was the first meeting of the 'new' Panel.

The Panel members and substitutes following the local government elections in May are:-

<b>Panel Member</b>	<b>Position/ Authority</b>	<b>Substitute</b>
Cllr Alan Diskin	Chair	Cllr Ron Hampson
Cllr Hadyn Bateman	Vice Chair	Cllr Brian Dunn
Cllr Ted Evans	Flintshire CC	Cllr Brian Dunn
Cllr Huw Llewelyn Jones	Denbighshire CC	Cllr Julian Thompson - Hill
Cllr Steve Wilson	Wrexham CBC	Cllr Dana Davies

### **3.00 UPDATE**

#### **LGPS 2012**

3.01 Following a review of public sector pension provision led by Lord Hutton, the Government, employers and unions have been involved in on-going negotiations on potential changes to Local Government Pension Scheme. The Local Government Association (LGA) released details of the 'new scheme' for consultation with the scheme membership and employers.

3.02 The Council participated in the consultation from both the point of view of an employer and an administering authority. Nationally both the membership and employers have been generally supportive of the 'new scheme' hence statutory consultation is expected this autumn with a commencement date for the 'new scheme' of 1st April 2014. The Clwyd Pension Fund Panel received a report on the 'new scheme' which included, the main proposals, the Fund's role in communication with its membership and the Council's reply to the consultation. This report is available in the background papers but the main proposals are shown in the table below.

CARE Scheme	Career Average Re-valued Earnings (CARE) Scheme
Accrual rate 1/49 <sup>th</sup>	The accrual rate is increased from the present final salary 1/60 <sup>th</sup> scheme
Pensionable pay used	Pay will now include non-contractual overtime and additional hours for part time staff
Contribution rates for part timers	Contribution rate will be based on actual pay rather than full time equivalent pay.
Vesting Period of 2 years	Vesting period is increased from 3 months to 2 years before a benefit is awarded.
Normal Pension Age (NPA)	Equal to the individual member's State Pension Age (minimum 65) which is now increasing in stages up to 68 from 2044
Contribution Flexibility (50/50)	Members can pay half rate contributions for half the pension accrual rate and retain full rate on all other benefits
Ill Health Benefits	Unchanged although applicable enhancements will be to the new Normal Pension Age (NPA)

- 3.03 There remains an outstanding work stream of LGPS 2014 which is considering cost management and governance, which is expected to report before the commencement of the statutory consultation.

### **AUTO-ENROLMENT**

- 3.04 The last government introduced the Pensions Act 2008 to make it compulsory for employers to automatic enrol their employees into a pension scheme unless they opt out. The Department of Work and Pensions (DWP) has, since the 2008 Act, introduced a number of consultation documents on pensions reform together with the associated regulations introducing auto-enrolment with the latest being issued in April this year. The government has also introduced the National Employment Savings Trust (NEST) which is a default scheme available to those employers who are not able to offer a suitable pension scheme.
- 3.05 Employers will be required to comply with auto-enrolment which is being introduced in stages from October 2012 (starting with the largest employers) until April 2017 for the smaller employers. Every employer in the UK will be allocated a date known as the employer's 'staging date'. An employer's 'staging date' is based on the number of people in the employer's PAYE scheme on 1 April 2012. The largest employers in the Clwyd Pension Fund are the three unitary authorities and their staging dates will be 1<sup>st</sup> April 2013. Other bodies will be phased during 2013/14 and the smaller community councils/admitted bodies staging date will be April 2017.
- 3.06 Although, the LGA have emphasised that it is the employer's responsibility to have systems and processes in place to comply with the requirements of the Pensions Act 2008 and the related regulations, the Fund will continue to facilitate meetings and advice to employers on auto-enrolment. There are a number of software solutions available aimed at streamlining the interface of data between employer and the administering authority which will be considered.

### **WELSH PENSION FUND COLLABORATION**

- 3.07 As previously reported, The Society of Welsh Treasurers (Pensions Sub-Group) has commissioned work to look at collaboration opportunities across the eight Funds in Wales. A Project Initiation Document (PID) for an All Wales Pensions Collaboration Project has been agreed. The project will produce an Outline Business Case (OBC) for the optimal number of LGPS funds in Wales and the most appropriate organisational structure. This will also include proposals for external collaboration, including joint procurement opportunities and other efficiency measures. The project features in the COMPACT on collaboration in Wales following the Simpson Review. Pension Officers from across the 8 Welsh Pension Funds are contributing to the Outline Business Case.

The Clwyd Fund is represented by the Head of Finance on the Project Board, and the Clwyd Pension Fund Manager is a member of the Project Team. Two other senior pension officers from the Council are contributing to the project through specific workstreams.

- 3.08 It was planned that an Outline Business Case report would be completed by October 2012, however due to the importance of some further advice being sought from an Actuary and legal advisor the extension of this timeline is currently being considered by the Project Board. The Clwyd Pension Fund Panel receives an update at each quarterly meeting. The report of the 9<sup>th</sup> August 2012, which is available in the background papers, included a project update and a plan for consultation on the findings of the report.

### **FINANCIAL UPDATE**

- 3.09 As required by LGPS Investment Regulations, investments are monitored quarterly and performance reported in detail to each Clwyd Pension Fund Panel. The report of the 9<sup>th</sup> August 2012 highlighted a market value as at 30<sup>th</sup> June 2012 of £1.06bn (£1.04bn, as at 31<sup>st</sup> December 2011) and a funding level of 61% (59% as at December 2011). The Clwyd Pension Fund Panel received presentations from the four largest fund managers and investment performance statistics from all the fund managers. There are no changes planned to fund managers as a result of performance.
- 3.10 As a result of a number of future changes to the scheme and the continuing weak economic and market environment the Fund has asked the actuary to undertake a Funding Review. This will assist both the Fund with its strategic management ahead of the 2013 Actuarial Valuation and employers with their medium term financial planning. The results will be presented to all employers at the Annual Joint Consultative Meeting (AJCM) on 14<sup>th</sup> November 2012. The outcome of the 2013 Valuation will be implemented from April 2014.

### **OTHER INFORMATION**

- 3.11 A number of other items have been reported to the Clwyd Pension Fund Panel for information or agreement:
- The Statement of Investment Principles 2012 (no substantial changes from the previous year). This will be published as per Regulation in the Fund's Annual Report in November 2012.
  - The appointment of Aberdeen Asset Management to a £7m Frontier Equity Markets mandate via an EU Procurement process.
  - The success of the Fund in two categories at the IPE Real Estate awards, Best Medium (Sized) Real Estate Investor and Best Portfolio Construction.
  - The draft statement of accounts.

- Implementation of a new pension administration software system.
- Details of the on-going communication service for employers and members.

## **MEDIUM TERM PLAN**

3.12 In addition to the items already highlighted in this update the Medium Term Plan includes the following main items which the Pension Fund Panel and Council (via this six monthly report), will receive updates:

- Training for Members and officers in line with CIPFA Knowledge and Skills Code of Practice.
- The development of an Administration Strategy including service standards with members and employers.
- A review of the role and responsibilities of officers and consultants.
- A previously reported, implementing a 'flight-path' methodology to the funding strategy.
- An appointment to a global Agriculture mandate.

### **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**

10.00 None directly as a result of this report.

### **11.00 CONSULTATION UNDERTAKEN**

11.00 None.

## **12.00 APPENDICES**

12.01 None.

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

Clwyd Pension Fund Panel Report 9<sup>th</sup> August 2012 – LGPS 2014

Clwyd Pension Fund Panel Report 9<sup>th</sup> August 2012 – Collaborative Working In Wales

Clwyd Pension Fund Panel Report 9<sup>th</sup> August 2012 – Medium Term Plan

**Contact Officer:** Philip Latham  
**Telephone:** 01352 702264  
**Email:** philip.latham@flintshire.gov.uk



## FLINTSHIRE COUNTY COUNCIL

**REPORT TO:** FLINTSHIRE COUNTY COUNCIL  
**DATE:** 25<sup>TH</sup> SEPTEMBER 2012  
**REPORT BY:** DIRECTOR OF ENVIRONMENT  
**SUBJECT:** SYCHDYN DEVELOPMENT BRIEF

### **1.00 PURPOSE OF REPORT**

1.01 To bring back to the Council for approval, Supplementary Planning Guidance (SPG) relating to the adopted Unitary Development Plan (UDP). The guidance for approval relates to a development brief for the UDP housing allocation HSG1(38) Former Sewage Works, Wats Dyke Way, now renamed Land off Ffordd Eldon, Sychdyn.

### **2.00 BACKGROUND**

2.01 Members may recall that during the process of progressing the UDP to adoption, the Council resolved to prepare specific Supplementary Planning Guidance (SPG) to support the adoption of the UDP. These SPG related to:

- a) the development of supplementary guidance to support the interpretation of UDP policy S11 Retention of Local Facilities, given concerns that the policy itself required more robust guidance to assist interpretation;
- b) the development of supplementary guidance in the form of development briefs to provide detailed guidance on the development of two housing sites allocated in the plan – the Compound Site, Broughton, and the Former Sewage Works, Watts Dyke Way, Sychdyn.

2.02 Members may recall that they considered and approved the SPG relating to Policy S11 and the Compound Site, Broughton at the meeting held on 27<sup>th</sup> March 2012. This SPG has subsequently guided decisions regarding development at the compound site. At that time it was not possible to bring the Sychdyn Development Brief for approval as there were outstanding matters relating to the consultation on the draft brief. These have now been resolved and the SPG is therefore presented for approval.

2.03 The SPG has been drafted in consultation with the respective Local

Member and, in line with the advice of the Welsh Government, in order to afford the guidance significant weight as a material planning consideration in the determination of planning applications. The representations received on the brief during the consultation and any resulting changes to the guidance are shown as appendices to the attached guidance.

### **3.00 CONSIDERATIONS**

3.01 There have been a significant number of representations made to the draft brief following consultation with the local community and with the landowner and his agent; there were several new issues which related to the degree of prescription the brief should have, the density of the development and the need for the archaeological buffer.

3.02 In terms of prescription, the need for a development brief itself gives clear indication that a particular approach is required with this site and is something that the land owner has been aware of for some time. Certain issues such as the archaeological buffer, the public open space requirements, density of the development, Code 3 Level for Sustainable Homes, layout and design, highways access and biodiversity safeguarding have all been mentioned as either being too prescriptive or not detailed enough by different parties. It is considered that the brief as presented is balanced in terms of the justifiable requirements it has for this site without making the development of this site unsustainable or unviable. In terms of density and the need for a buffer, the justification in the brief is very clear on both these points and both are considered reasonable and necessary in the circumstances of the site.

### **4.00 RECOMMENDATIONS**

4.01 That Members approve the attached SPG in appendix 1, relating to guidance for the development of UDP housing allocation HSG1(38) Land off Ffordd Eldon, as Supplementary Planning Guidance for use as a material planning consideration in determining planning applications.

4.02 That Members give the Director of Environment delegated authority, following consultation with the Cabinet Member for the Environment, to format (and where necessary typographically correct) the wording of the SPG into the appropriate house style for subsequent publication.

### **5.00 FINANCIAL IMPLICATIONS**

None

### **6.00 ANTI POVERTY IMPACT**

None

**7.00 ENVIRONMENTAL IMPACT**

None

**8.00 EQUALITIES IMPACT**

None

**9.00 PERSONNEL IMPLICATIONS**

None

**10.00 CONSULTATION REQUIRED**

None

**11.00 CONSULTATION UNDERTAKEN**

11.01 A public consultation exercise was carried out from October 24th 2011 for six weeks and the brief has been available online since then. Key stakeholders were also contacted directly.

A Comments and Responses document shows the comments received and the response of the council.

11.02 The local ward Member's comments have been incorporated into the Development Brief.

**12.00 APPENDICES**

12.01 Appendix 1 – SPG Development Brief Former Sewage Works Site now renamed Land Off Ffordd Eldon, Sychdyn and the Comments and Responses document

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

Adopted Flintshire UDP

Minutes of FCC meeting held on 11<sup>th</sup> November 2010

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Development Brief  
July 2012

# Development Brief

for Housing at **Land Off Ffordd Eldon** the Former Sewage Works Site, Wats Dyke Lane, Sychdyn



**Developers must have regard to this development brief when preparing a scheme for this site. Any differences must be justified by the developer and agreed with the Planning Authority.**

## Contents

<b>1   Purpose of the Brief</b>	<b>2</b>
<b>2   Site Description</b>	<b>2</b>
<b>3   Status of the Brief</b>	<b>2</b>
<b>4   Planning Context and History</b>	<b>6</b>
<b>5   Relevant Development Plan Policies and Guidance.</b>	<b>7</b>
<b>6   Site analysis and Planning Requirements</b>	<b>8</b>
6.1   Location and Landscape Character	9
6.2   Local Context Layout and Design	9
6.3   Density	9
6.4   Materials	9
6.5   Sustainable Development.	10
6.6   Sense of Place	11
6.7   Design and Access Statement	11
6.8   Highways access	11
6.9   Parking	12
6.10   Services Infrastructure	12
6.11   Affordable housing requirement	12
6.12   Archaeological issues	13
6.13   Public Open Space Requirements	13
6.14   Biodiversity	13
6.15   Education contributions	14
6.16   Contaminated Land Issues.	14
<b>7   Planning Requirements</b>	<b>15</b>
<b>8   Further information</b>	<b>15</b>
<b>Appendices</b>	<b>16</b>

## 1 | Purpose of the Brief

The objective of the brief is to bring about a high quality development by providing clear advice to potential applicants on the Councils requirements and expectations in relation to this site at Ffordd Eldon, Sychdyn. The site has been known as the Former Sewage Works Site throughout the UDP process and is known as such in the adopted UDP but it is now felt that the name is inappropriate since the remains of the former use has blended into the natural landscape.” ~~The objective of the brief is to bring about a high quality development on the Former Sewage Works Site, Wats Dyke Way, Sychdyn, by providing clear advice to potential applicants on the Councils requirements and expectations in relation to the site.~~ The brief will identify the potential opportunities and constraints in and around the site and will suggest solutions in order to facilitate an appropriate sustainable development.

The brief aims to promote development of the site with a mix of market value and affordable housing to identify the most appropriate form of development.

## 2 | Site Description

The site is 1.9 ha in size and is located on the northern edge of the settlement of Sychdyn. ~~The land is flat and is at present not cultivated or used for grazing.~~ **The land is generally flat and is in agricultural use.** Little remains of the former use as a sewage works, merely a **dilapidated** chain link fence heavily overgrown with brambles and a line of tall conifer trees.

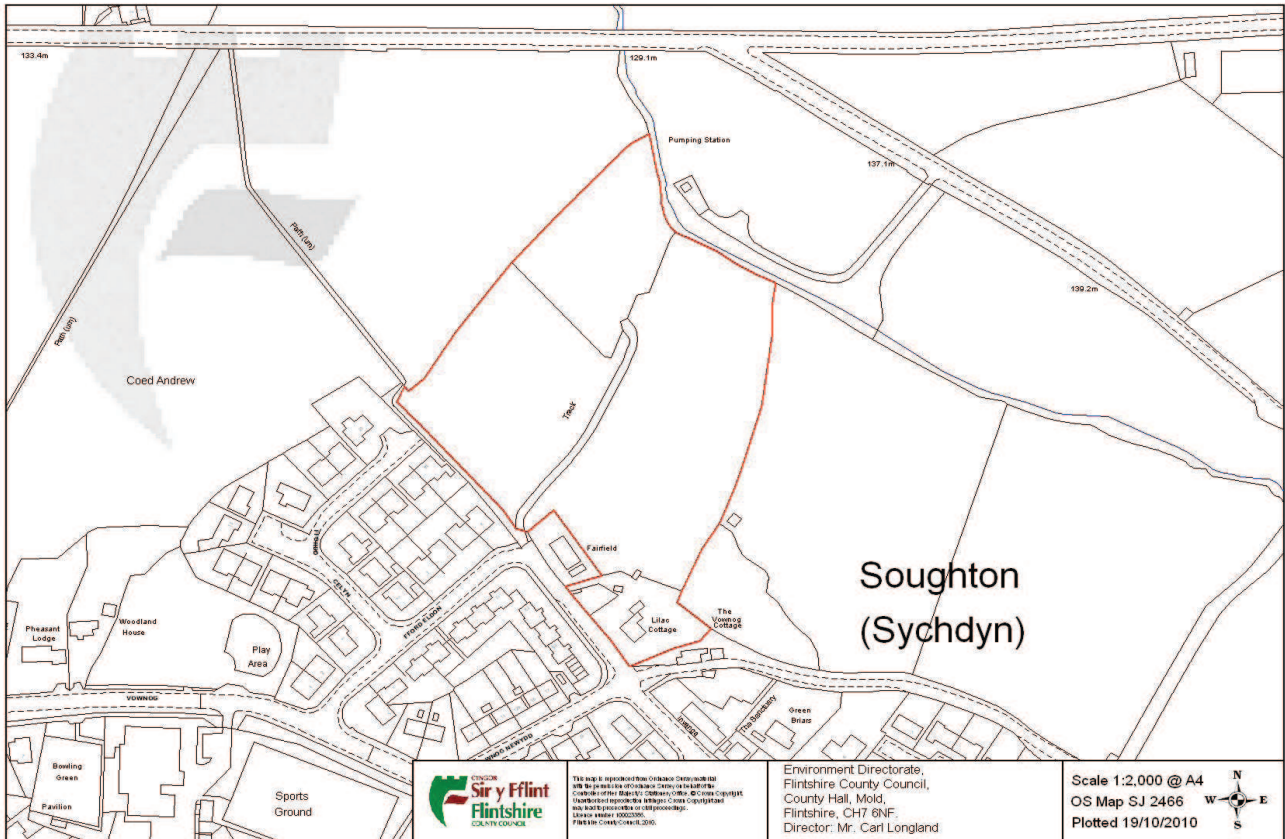
The site is surrounded to the north, east and west by mature hedgerows with open fields beyond. A small water course runs along the northern boundary. A public right of way runs along the southern edge of the site **which forms part of the Wats Dyke Way Heritage Trail.** The southern edge **of** the site is bounded by bungalows and older cottages and Lilac Cottage is included within the site. Vehicular access to the site is presently gained from Ffordd Eldon between No 6 Ffordd Eldon and Fairfield.

## 3 | Status of the Brief

The Council has written this brief and consulted widely with relevant internal departments such as Highways, Pollution control, Biodiversity, the Play Unit and Education Departments. External organisations such as Clwyd Powys Archaeological Trust (CPAT), Countryside Council for Wales (CCW ) and Welsh Water have also been consulted.

In line with the advice of the Welsh Government (WG) the brief has been the subject of a Council resolution and public consultation and should therefore be afforded considerable weight as a material planning consideration. The representations received and how the brief has been amended to take account of the issues raised has been summarised **in the Comments and Responses document which can be found in Appendix 4.**

A)



Map 1 Extent of the planning brief area

B)



Aerial view



C)



View along the southern boundary footpath looking to the south along the line of Wats Dyke.

D)



View of the site from the southern boundary footpath looking north.

E)



View of the site from the southern boundary footpath looking north/west.

F)



View from the southern boundary footpath across the site looking south/east.

G)



View from footpath looking south/west to No 23 Ffordd Celyn.

## 4 | Planning Context and History

Sychdyn is a category B settlement in the Unitary Development Plan (UDP) which means an indicative growth level of 8 -15% over the Plan period (2000 to 2015). Following the UDP inquiry the inspector recommended the retention of this site as an allocation in the Plan and felt that a growth level of 11%, since the base date of the Plan (2000), was acceptable. Sychdyn is considered to be a sustainable location for new development as it is close to areas of employment has good public transport links and a good range of local facilities.

This development brief has been produced in support of the housing allocation in the UDP and it will be adopted alongside the plan as Supplementary Planning Guidance. It was felt that the sensitive nature of the site due to the **locally important** Wats Dyke archaeological remains and the additional restrictions on the site resulting in a requirement to build at an appropriate density, meant that a development brief was advisable.

In terms of the planning history, there have been no planning applications on the site. Although the site did include a sewage works at the north/west corner of the field this has become overgrown and all that remains of the works is a chain link fence and an overgrown conifer hedge. Considering the previous use of the land, contaminated land surveys will be required as part of any planning application.

Ownership – it is understood that the majority of the site is within one ownership excluding the curtilage of Lilac Cottage and the former sewage compound which is still Dwr Cymru Welsh Water land. It is also understood there is provision to utilise part of the front garden of No 6 Ffordd Eldon to facilitate access to the site.

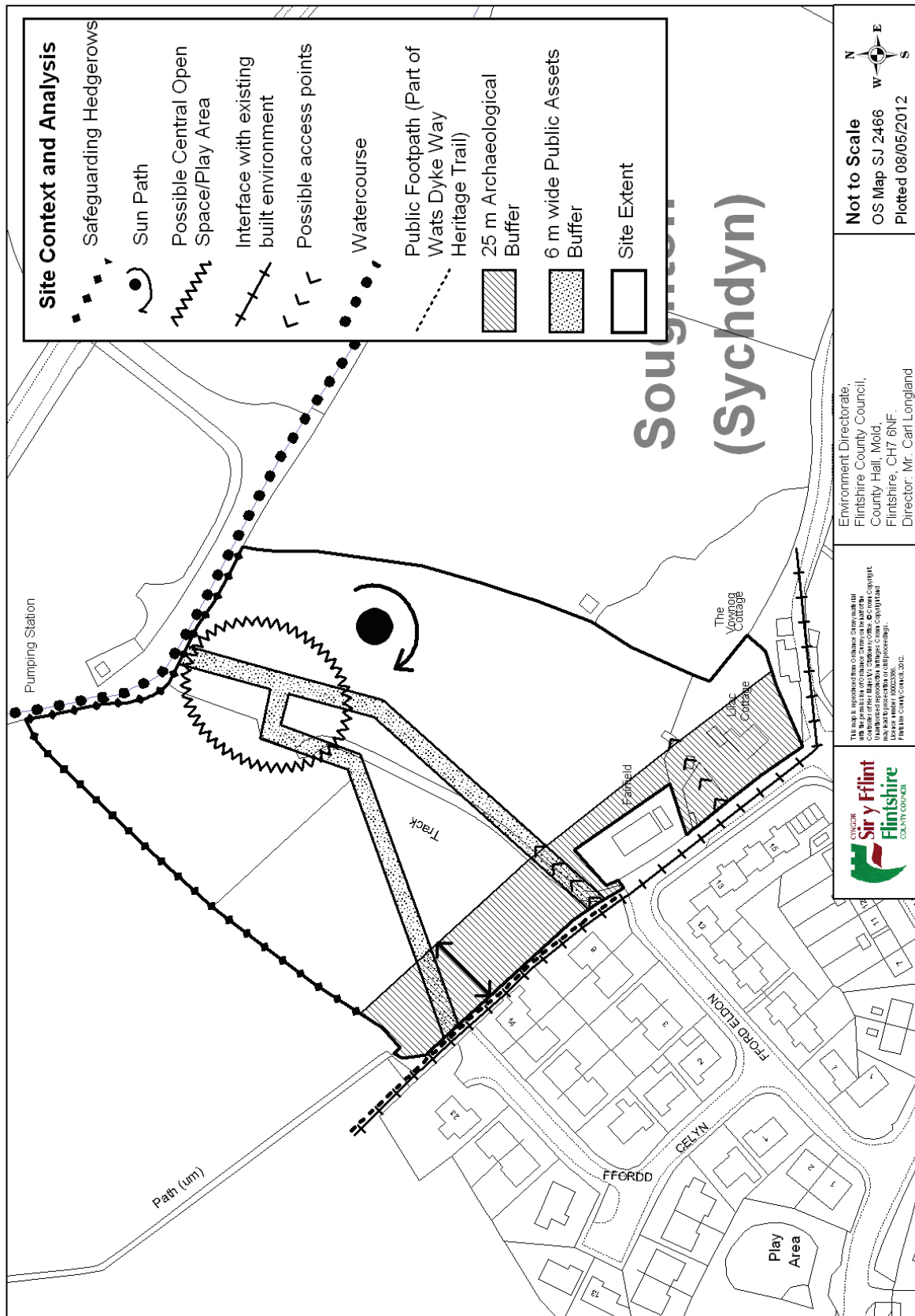
Formal Designations. There are no formal wildlife designations on the site, however, Wats Dyke which is an important site of local archaeological interest, runs along the southern boundary of the site. Whilst not formally designated a Scheduled Ancient Monument (SAM) the line of the Dyke will need to be protected and this issue is fully addressed in para 6.12 of this brief.

## 5 | Relevant Development Plan Policies and Guidance.

~~These can be found in appendix 2.~~ Regard will be given to national guidance in the form of Planning Policy Wales and Technical Advice Notes (TANs). The relevant development plan is the Flintshire Unitary Development Plan (UDP) which was adopted on 28th September 2011. Other local guidance is in the form of Local Planning Guidance Notes, these are being reviewed with the view of adopting them as Supplementary Planning Guidance in the near future. UDP policies can be found in Appendix 1 and a List of Local Planning Guidance notes can be found in Appendix 2.

# 6 | Site analysis and Planning Requirements

(See Site Context and Analysis diagram)



## 6.1 | Location and Landscape Character

The site sits within a mosaic of small fields on the northern edge of the settlement. A carefully designed landscaping scheme for the site will be required to ensure protection of the hedgerows along the northern boundaries as indicated on the Site Context and Analysis Plan and the consolidation of the hedgerow along the eastern boundary. The requirements of policy D3 Landscaping should be complied with. Details of the landscaping should encourage biodiversity, safeguard the line of the Wats Dyke and offer appropriate links through the development from the existing settlement to the footpaths and the surrounding countryside.

## 6.2 | Local Context Layout and Design

The development should aim to create a scheme which is outward looking rather than inwardly focused so that it is visually, functionally and physically integrated into the existing built form of the village. In terms of massing, scale and character the layout should reflect the surrounding area which are a mix of single and two storey dwellings each with their own rear garden and many with their own parking space. Sychdyn has a good mixture of house types, there is a variety of large and small linked and detached bungalows and two storey houses.

Bungalows primarily surround the site and it may therefore be appropriate to use this house type at the southern portion of the site where the site interfaces with the existing village. These could also comprise the affordable element of the scheme, as detailed later. There should be a reasonable mix of housing types and sizes to cater for a range of housing needs.

The Site Context and Analysis Plan show the constraints which will inform the development of the site. Building cannot take place within the 25m archaeological buffer and within 3m of the drainage system on the site. A central location for the play area could create a focal point for the layout of the development. The Design and Access Statement/ Planning Statement will be required to undertake a robust contextual analysis of the site, its surroundings and the constraints and demonstrate the processes and options considered in devising a development proposal.

## 6.3 | Density

The final number of houses is obviously affected by the constraints of the site as shown on the site analysis plan and the requirements for affordable housing and open space. The net developable area when taking the archaeological, drainage, hedgerow safeguarding and provision for public open space into account is approx 1.3 ha. Using this as a guide, a low density development of 25 dwellings per hectare (dph) would produce 33 dwellings and an average density of 30 dph would produce 39 dwellings. The Council do not consider it appropriate to exceed these levels given the circumstances of this site.

## 6.4 | Materials

To ensure that the new development does not detract from the local environment, traditional local building materials should be used to reflect the existing character of Sychdyn. In terms of the local materials found in the village, the older houses are usually red brick with slate roofs with some stone buildings with slate roofs. More modern dwellings are again brick or render with a mix of slate and grey tile roofs.

Simple details on buildings can make a big difference to their appearance and the way a development

fits in with the surroundings. Simple brick detailing can add to the character of a dwelling by reflecting the traditional character of the area but fussy or complicated detailing should be avoided. Photographs (in Appendix 3) of houses in the village show these materials and features such as pitched roof porches and garages. The detailing around doors and windows are an important design feature, for example stone lintels and window sills are often seen on older properties in Sychdyn. Strong perimeter treatment such as walls, fences and gates can also be useful to enhance the identity of housing and help to define the private/ public realm. The use of energy efficient, low maintenance and sustainable materials will be encouraged whenever practicable.

## 6.5 | Sustainable Development.

Development of the site's layout should reflect the principles of sustainable development and incorporate the appropriate landscaping. All developments should seek to conserve natural resources, be energy efficient and minimise pollution. As a minimum the dwellings will be required to meet the requirements of Level 3 of the Code for Sustainable Homes as contained within current national guidance. However developers should aim for a higher level and note that the Welsh Government intends to require higher levels in future and it may be that by the time an application is submitted, attaining Code Level 4 or higher may be a requirement.

In respect of sustainable development, the following should be considered: climate, energy, resources, biodiversity and community. A sustainability statement will be required as part of the Design and Access statement setting out how the principles of sustainable development have been incorporated from the outset.

### Solar considerations

The majority of the site generally occupies a south facing aspect and can therefore take advantage of available solar radiation in the proposed buildings. The buildings should therefore be designed to take advantage of available solar radiation to maximise heating gain. Passive solar heating is an important consideration in the layout of any new housing development in order to take advantage of available sunlight. The result is warm sunny houses and a reduction in energy use and therefore fuel bills which will make the homes more attractive to house buyers. On this site in order to take advantage of solar radiation single story dwelling should be located to the south of the site to avoid overshadowing. Houses should as much as possible be located along roads which follow an east to west direction to take advantage of the 'sun path' (as shown on the site analysis diagram). Also any higher density housing should be located around the open space provision to allow enough sunlight to the dwellings.

### Energy

The initial consideration should be the reduction of energy use, followed by how renewable energy sources can be used to provide the energy required. As much energy use as possible should be derived from renewable sources and the use of some form of ~~district~~ **community heating or a combined heat and power scheme (CHP)** should not be ruled out.

Developers will be expected to look in detail at the most suitable way of incorporating renewable energy on this site, be aware that the suitability of different renewable energy technologies may vary across the site, and that more than one form of renewable energy provision may be appropriate. The Council requires through Policy EWP 3 Renewable Energy in New Development that predicted carbon emissions be reduced by 10% through renewable energy measures on major new developments.

## 6.6 | Sense of Place

Achieving a 'sense of place' is important in terms of reflecting the best of vernacular layout patterns in the area rather than a continuation of standard housing developments. All new developments are expected to comply with GEN1 General Requirements for Development, D1 Design Quality, Location and Layout and D2 Design. Also, new developments should also take into account all new guidance published by the Welsh Government which relates to residential streets, housing, design, as well as designing for security and safer more inclusive environments.

## 6.7 | Design and Access Statement

A design and access statement will be required to accompany the development. It must clearly demonstrate how the development has taken account of this development brief and should explain how the design has been created specifically for this development. The statement should demonstrate how the overall design reflects the best of the urban form of the settlement. The Advice in TAN 12 Design should be closely followed.

## 6.8 | Highways access

The Head of Assets and Transportation has commented that traffic generation associated with this size of development is unlikely to have any significant impact upon the local highway network. Nevertheless, a Transport Statement should be part of any planning application so that any impacts can be demonstrated. An audit of the opportunities to walk, cycle, and use local bus services should be considered within the transport statement. The internal layout of the site should also encourage walking and cycling following the guidance within TAN 12 and the Manual for Streets.

A public footpath (Footpath No 33 **which forms part of the Wats Dyke Way Heritage Trail**) runs along the south west boundary of the site and it will be necessary to protect this footpath within any development. The footpath should remain as a safe and attractive link to the open countryside.

~~An acceptable site access from Ffordd Eldon was established during earlier consultation on the allocation.~~ **An acceptable site access from Ffordd Eldon was established as part of the Inspectors recommendations.** This access arrangement has required the acquisition of 3rd party land including part of the garden of No 6, Ffordd Eldon ~~and part of Wats Dyke Way.~~

An alternative access from ~~Wats Dyke Way~~ **the unadopted part of Fford Eldon** could also be considered from the position currently occupied by Lilac Cottage. This is within the site boundary and given it also fronts directly onto **Ffordd Eldon** ~~Wats Dyke Way~~, could provide a potential option to create an access although this would again require the acquisition of 3rd party land. ~~of Wats Dyke Way.~~

The creation of a point of access into the site via Ffordd Celyn has been considered and rejected as there are implications regarding the archaeological remains of Wats Dyke. The fact that the line of Wats Dyke has already been breached by the construction of Lilac Cottage and Fairfield has led CPAT to favour an access points from Ffordd Eldon. An access point from Ffordd Celyn would create a new breach of the dyke remains and is therefore unacceptable. Every effort should be made to make the site as accessible as possible to a wide range of potential users, including those with sensory or physical disabilities.



## 6.9 | Parking

Guidance on the residential parking requirements is given within Flintshire County Council Local Planning Guidance Note 11. Although the site has good public transport links and is within walking and cycling distance of local facilities, provision of car parking will still need to be accommodated.

Size of house	Number of parking spaces
1 Bedroom house	1.5 car spaces per unit
2 Bedroom house	2 car spaces per unit
3 Bedroom house	2 car spaces per unit
>3 Bedroom house	3 car spaces per unit
Flats	1 car spaces per unit + 1 car space per 2 units for visitors
Elderly person/retirement dwellings or flats	1 car space per unit + 1 car space per 3 units for visitors

The layout should provide appropriate levels of parking within the curtilage of dwellings in line with the Council's adopted car parking standards, which as follows are a maximum of:

In line with policy AC18 of the UDP reduced requirements may be applied in some circumstances.

## 6.10 | Services Infrastructure

Welsh Water has stated that the site can be connected to an existing sewer system and they also encourage the use of **Sustainable Drainage Systems (SUDs)** for surface water run off. It is also relevant to note that no building will be permitted within 3 m of the public assets or sewers which are within the development area, the location of these are shown on the Site Context and Analysis Plan.

In terms of sewerage treatment the proposed development would overload the existing Waste Water Treatment Works however improvements are planned for completion by 31st March 2015<sup>4</sup>. A water supply can be made available from Wats Dyke Way.

## 6.11 | Affordable housing requirement

The need of a community for affordable housing is a material planning consideration which should be properly taken into account when preparing planning applications. In the Flintshire UDP Policy HSG 10 requires that all developments of 25 dwelling and over or sites of 1 hectare or more should provide 30% affordable housing. Affordable housing should be located on site and be scattered throughout the development, rather than in a defined grouping. Where ever possible the affordable provision should reflect the principle type of need in the area. **Any proposals which divide the allocated site into smaller chunks, thereby falling below the specified thresholds, will be required to provide affordable housing on a pro-rata basis.**

**'Within the community there is a perceived need for 2 bed bungalows in order for local persons**

to downsize. The Council's Housing Strategy Officer has identified a number of options to deliver affordable housing on the site but this will depend on the total numbers of houses comprising any future planning application and an up to date assessment of housing need in the community at that time. The options briefly could include:

i) the developer providing a certain number of 2 bed bungalows (provided that this need is evidenced at the time of the planning application), to be sold at market value to people who wish to downsize (this figure is unlikely to amount to 30% though as bungalows up more land and are generally more expensive to build) .There would be a land charge in place to ensure that if a property is then sold on for more than the initial sale price, then 30% of the uplift capital is paid to the Council,

ii) the developer gifts a certain number of dwellings (bungalows provided that this need is evidenced at the time of the planning application) to FCC who retain ownership in order to house applicants on the affordable housing register and the social housing register,

iii) the full 30% provision of dwellings on a shared equity basis with FCC holding 30% capital.'

~~The Council's Housing Strategy Manager has proposed 3 options for provision.~~

#### ~~Option 1-~~

~~The developer provide a certain number (this will depend on the total number of units on the site) of 2 bed bungalows, to be sold at market value to people who wish to downsize as this is a particular requirement for Sychdyn. This figure is unlikely to amount to 30% however the reduction in total numbers is because bungalows take up more land and are generally more expensive to build. There will be a land charge in place to ensure that if the property is sold for more than the initial sale price then 30% of the uplift capital is paid to the council.~~

#### ~~Option 2-~~

~~That the developer gifts a certain number of free dwellings to FCC who retains ownership which are used to house applicants from the affordable housing register and the social housing register.~~

#### ~~Option 3-~~

~~The full 30% provision with on a shared equity basis with FCC holding 30% capital. Further discussions will be required with the housing officer as part of the pre application discussions as the affordable housing provision will depend on the total number of units on the site and the level and type of need existing at that time.~~

## 6.12 | Archaeological issues

The Clwyd Powys Archaeological Trust (CPAT) recommend that a buffer of **undeveloped land** approximately 25m wide from the southern boundary of the site be provided to protect the subsurface remains of the Wat's Dyke and its former alignment. The Site Analysis Plan shows the extent of the proposed safeguarding corridor and CPAT suggest that the **undeveloped** area is left as open grassed or lawned areas with no hard or intrusive landscaping **and that a full archeological survey be carried out on the previously developed part of that corridor**. This is an important requirement for this site as it restricts where development can take place and provides a buffer to the existing houses.

In terms of the possible access route between Fairfield and Lilac Cottage CPAT also suggest that a

full archaeological survey be carried out as this route crosses directly over the remains of the Dyke. The Wats Dyke **in the vicinity of the site** may not be a scheduled ancient monument but it is locally important and any development must take this into consideration.

CPAT also suggest that there may be scope for providing an interpretation panel on the site showing a reconstruction of the dyke, an explanation of its origins and its use in the wider landscape and this is something that the Council will seek to negotiate with the developer.

## 6.13 | Public Open Space Requirements

The Head of Leisure Services will be seeking in accordance with Local Planning Guidance Note 13 Open Space Provision, on site recreation provision for this development in the region of 2,200 sqm. This will be to provide a fixed play area. It is estimated that the costs for this scheme will be £50,000 and would require the facility to be provided upon 50% sale or occupation of the development. The requirements as set out in this document depend on the number of dwellings proposed these figures are based on there being 39 units.

## 6.14 | Biodiversity

The Countryside Council for Wales( CCW ) advise that the site is not within the boundaries of any statutory sites of ecological, geological or geomorphological interest, or within a designated landscape area. Nevertheless there are features on the site which are of biodiversity value such as the hedgerows and also the potential for the site to provide a habitat for protected species. The authorities own biodiversity officer and CCW would expect to be consulted prior to any application being submitted in order to advise regarding safeguarding the protected species interest of the site, including habitats and what ecological surveys may be needed, for example; bats, badgers, newts and reptiles. It is therefore strongly recommended that any prospective developer has early pre application discussions with the council's biodiversity officer and CCW at an early stage in the development process to ensure the protection of the hedgerows, species and any future management of the site.

As part of the development, open space and landscaping will be required. This will provide further opportunities for an increased variety of flora and fauna, which will enhance the biodiversity of the site. The planting of species in scale with the development is an important consideration and generally plant species should be native. All main structure planting strips should include a proportion of evergreen planting to maintain shelter and colour throughout the year.

## 6.15 | Education contributions

The Director of Lifelong Learning has advised that the current capacity of Sychdyn CP School is 177 full time places with a surplus capacity of 42, which equates to 23.7% of the total capacity. The number of primary age children likely to be generated from this development would be 9 which would reduce the surplus capacity to 33 or 18.6%. The LEA needs to retain a level of flexibility with the surplus places of up to 40.5% clearly this development would not affect that level at this time so it is unlikely that contributions will be requested for primary school provision.

In terms of Secondary age children the development is likely to generate 7 children this would most likely impact on the Argoed and Alun High Schools. Argoed High School is already at over capacity and the Alun school has 3.33% surplus places, both schools would be unable to accommodate the

increase in pupils without **the need for** additional accommodation. Therefore if a planning application were submitted for this level of development the authority would be requesting Section 106 funding for the **nearest** Secondary schools. Developers should contact the Director of Lifelong Learning at the time of making a planning application in order to ascertain the most up to date figures and how much would be required in terms of the commuted sum.

## 6.16 | Contaminated Land Issues.

The Head of Public Protection has advised that a desk top study and intrusive site investigation will be required to identify any unacceptable risks to the development as a result of land contamination. This should be carried out prior to the determination of a planning application.

## 7 | Planning Requirements

Any planning application should be accompanied by the following information:-

1. A Planning Statement including an assessment of the proposal in the light of this brief.
2. Design and Access Statement including a Sustainability Statement.
3. An archaeological assessment.
4. 106 Obligations Education Contributions .
5. Access for All statement.
6. Transport Statement.
7. Ecological Surveys.
8. Contaminated Land Investigations.
9. Code for Sustainable Homes Pre-Assessment

## 8 | Further information

Developers are encouraged to contact the Flintshire County Council's Planning Service to discuss details of any proposed scheme as early as possible prior to the design of a scheme and submission of an application. Any application will be dealt with primarily by the Development Management Team, but policy guidance can be obtained from the Planning Strategy Team, who will also be consulted on the application and pre-application enquiry.

Planning Development Management Team, Mr Glyn P. Jones, Tel 01352 703248

Planning Strategy Manager Mr Andy Roberts. Tel 01352 703211

Environment Directorate, Flintshire County Council, County Hall Mold CH7 6NF.

Highways - Sue Thomas x 4617

Play Unit - Alan Roberts x 2457

Ecologist - Amanda Davies x 3268

Housing Strategy - Housing Estates - Penny Storr x 3830

Public Protection - Dave Jones x 3276

Env Agency - [ruth.pritchard@environment-agency.gov.uk](mailto:ruth.pritchard@environment-agency.gov.uk)

Dwr Cymru - [developer.services@dwr.cymru.com](mailto:developer.services@dwr.cymru.com)

## Appendices

### Appendix 1

#### **Emerging-Adopted Flintshire Unitary Development Plan.**

Policy STR1 - New Development.  
Policy STR2 - Transport & Communications.  
Policy STR4 - Housing.  
Policy STR7 - Natural Environment.  
Policy GEN1 - General Requirements for Development.  
Policy GEN2 - Development Inside Settlement Boundaries.  
Policy D1 – Design Quality, Location & Layout.  
Policy D2 - Design  
Policy D3 - Landscaping.  
Policy TWH2 - Protection of Hedgerows  
Policy HE7 - Other sites of Lesser Archaeological Significance.  
Policy AC13 - Access & Traffic Impact.  
Policy AC18 - Parking Provision & New Development.  
Policy HSG1 (53) - New Housing Development Proposals.  
Policy HSG8 - Density of Development.  
Policy HSG9 - Housing Mix & Type.  
Policy HSG10 - Affordable Housing Within Settlement boundaries  
Policy SR5 - Play Areas & New Development.  
Policy EWP2 – Energy Efficiency in New Development.  
Policy EWP3 - Renewable Energy in New Development  
Policy EWP14 - Derelict & Contaminated Land.  
Policy EWP 16 - Water Resources  
Policy AC2 - Pedestrian Provision & Public Rights of Way.

### Appendix 2

#### Local Planning Guidance Notes

**These are all available online at [flintshire.gov.uk /planning](http://flintshire.gov.uk/planning)**

- 2. Space Around Dwellings (165Kb PDF)**
- 3. Landscaping (136Kb PDF)**
- 4. Trees and Development (306Kb PDF)**
- 8. Nature Conservation and Development (65Kb PDF)**
- 9. Affordable Housing (111Kb PDF)**
- 11. Parking Standards (660Kb PDF)**
- 12. Access for All (476Kb PDF)**
- 13. Open Space Requirements (84Kb PDF)**
- 19. Sustainable Drainage Systems (94Kb PDF)**
- 22. Planning Obligations (61Kb PDF)**
- 23. Developer Contributions to Education (Draft version)**

## Appendix 3 | Local Vernacular Assessment





**Comments on the  
Former Sewage Works Site, Wats Dyke Lane,  
Sychdyn Development Brief**

Organisation	Representation	Reasoned response	Decision and Action
Graham Hulbert  Sychdyn Village Action Group	<p><b>1. Purpose of the Brief.</b> The site is still being referred to as the "Former Sewage Works Site " when this is clearly inaccurate. The implication remains that the land is at least partly brownfield. As the Inspector pointed out, "The council refers to the site as part brownfield, but from my inspection I do not agree, it seems to me that the remains of the former use have blended into the landscape and they can reasonably be considered part of the natural surroundings".</p> <p><b>2.Site Description</b> This is inaccurate in that the land is currently being used for crops and had also been used for animals over the past 12 months.</p>	Accepted	Change the name of the site to Land off Ffordd Eldon, Sychdyn. Change first sentence of para 1 to, "The objective of the brief is to bring about a high quality development by providing clear advice to potential applicants on the Councils requirements and expectations in relation to this site at Ffordd Eldon, Sychdyn. The site has previously been known as the Former sewage works site throughout the UDP process and is known as such in the adopted UDP but it is now felt that the name is inappropriate since the remains of the former use has blended into the natural landscape."
	<p><b>4. Planning history and Context</b> In addressing this issue there appears to be no reference to the fact that Sychdyn is a village community with its own particular needs as a sustainable community in it's own right. This description as its development brief implies a future as simply a dormitory settlement for the larger towns in this area of Flintshire. As SVAG found in their survey of 2008 this is totally unacceptable to the vast majority of residents.</p>	Accepted	Change the second sentence in para 2. Site Description to; "The land is flat and with the exception of the northern corner where the sewage works was located, is in agricultural use."  Subsequent change to," The land is generally flat and is in agricultural use."
		Not accepted. Sychdyn is considered to be in planning terms a sustainable settlement because it has its own range of community facilities. Following the public inquiry on the UDP this stance was justified in the inspector's report where it was accepted that Sychdyn was correctly classified as a category B settlement. A housing allocation is therefore sustainable for the village as there is public transport and there are nearby facilities which reduce reliance on the car.	n/a



	<p><b>6.1 Location and Landscape Character</b> 3<sup>rd</sup> sentence The requirement of the policy D3 Landscaping should (to be replaced with <u>must</u>) be complied with.</p>	<p>The purpose of the Development Brief is to provide clear advice to potential applicant on the requirements, expectations, opportunities and constraints in bringing the site forward for development. The use of the word 'should' implies that there is a clear obligation or duty to comply with the requirements of policy D3. The brief has sought to provide clear guidance on the issue of landscaping without being too prescriptive.</p>	n/a
	<p><b>6.2 Local Context Layout and Design</b> 1<sup>st</sup> sentence, The development <u>should</u> (to be replaced with <u>must</u>) aim to create a scheme which is outward looking rather than inwardly focused ....and again in 2<sup>nd</sup> sentence In terms of massing, scale and character the layout <u>should</u> (to be replaced with <u>must</u>) reflect the surrounding area...</p>	<p>As 6.1 above</p>	n/a
	<p><b>6.5. Sustainable development</b> With reference to the minimum requirements that the homes should reach the Level 3 of the Code for Sustainable Homes although developers should aim for Code Level 4. Why can't this be made a requirement now!</p>	<p>Welsh Government guidance is at present requiring new development to meet the Code Level 3. The Local Authority does not have the power to enforce a higher level of energy efficiency and can only advise on what the Government requirements may be in the future.</p>	
	<p><b>6.6 Sense of place</b> 3<sup>rd</sup> sentence Also all new development <u>should</u> (to be replaced with <u>must</u>) take into account all new guidance.....</p>	<p>As 6.1 above.</p>	
	<p><b>6.8 Highways Access</b> 2<sup>nd</sup> sentence Nevertheless a Transport Statement <u>should</u> (to be replaced with <u>must</u>) be part of any planning application...</p>	<p>As 6.1 above.</p>	
	<p>Referring to the first sentence of the 3<sup>rd</sup> paragraph of 6.8. An acceptable access from Ffordd Eldon was established during earlier consultation on the allocation. When was this consultation and its conclusions made public?</p>	<p>Consultation was carried out at deposit stage and as part of the UDP Public Inquiry, many residents put forward their views both verbally and as written representations over the full range of issues relating to the site. In considering the evidence from all parties,</p>	<p>Change the first sentence of 3<sup>rd</sup> paragraph in 6.8 to read." An acceptable site access from Ffordd Eldon was established as part of the Inspectors recommendations.'</p>

		<p>the inspector concluded that an acceptable access could be safely accommodated on the roads. However the phraseology used may be slightly misleading and it is suggested that the sentence be redrafted.</p>	
<p><b>6.11 Affordable Housing requirement</b> While understanding the need for the provision of affordable housing there should be greater consideration for the welfare of the existing residents. The inspector noted that, "it is a function of the development control process to ensure that living conditions of present and future occupiers are not materially harmed by the development ." There is no doubt that the resident at Fairfield Cottage close to the proposed entrance to the new development would be dramatically and seriously affected in the way described. Furthermore a precedent was set in the village with an objection to a planning application in Duke Street on the grounds that it would have had an over bearing impact on adjacent properties".</p>	<p>The purpose of the Development Brief is to provide clear advice to potential applicant on the requirements, expectations, opportunities and constraints of the site. In considering a detailed development proposal for the site the council will need to consider in a rational and transparent manner a whole host of issues, guidance and policy requirements.</p> <p>The provision of affordable housing on the site and ensuring sufficient standards of amenity for both existing (and new) residents are valid planning considerations and it would be inappropriate for the brief to attach greater importance to either one.</p> <p>Local Planning Guidance Note No2 Space About Dwellings sets out the requirements for how far dwellings should be located from each other to allow for reasonable residential amenity. This guidance will be taken into account when the plans for the site are drawn up and will be assessed by officers as part of the considerations of a planning application.</p>		

	<p><b>6.13 Public Open Space Requirements.</b> Why is it necessary to include a play area in the site when an excellent play ground is already available within 200 metres of the site?</p>	<p>The requirement as set out in this brief shows the area of play space as required by Policy SR5 Outdoor Playing Space and New Residential Development which is 2.4 hectares per 1000 population. The total area depends on the number of units proposed and is a requirement for all new developments. There is a play ground nearby but there is also a shortfall of play areas when considering the village as a whole. It may be that a smaller play area could be provided with a commuted sum to make up the rest of the contribution to be spent off-site. This will depend on negotiations with the Play Unit section of the Council at the time of the planning application. The location of the play area on the map is indicative only, it could be located elsewhere, therefore it is proposed to amend the legend on the map to show this is a possible location for the open space.</p>	<p>Amend the legend on the Site Context and Analysis Plan to say 'Possible Central Open Space/ Play area'</p>
	<p><b>6.14 Biodiversity.</b> The site does contain protected species, bats, adders, newts etc 1<sup>st</sup> sentence of 2<sup>nd</sup> paragraph The authorities own biodiversity officer and CCW advise that would expect (to be replaced with <u>must</u>) to be consulted ..... 2<sup>nd</sup> Sentence It is therefore <u>strongly recommended</u> (to be replaced with necessary for) any prospective developer.....</p>	<p>The brief clearly identifies the ecological interest in the site and recognises the potential for protected species. In drawing up development proposals it is good practice for the developer to engage with the Councils Biodiversity officer and CCW. However the l.p.a. cannot require it and an application could legitimately be submitted with supporting ecological study report in the absence of any consultation or engagement. The l.p.a. would then consult both internally and externally on the application.</p>	<p>n/a</p>
	<p><b>6.15 Education Contributions</b> This need to be questioned, in 2007 -08 the Principle Education Officer for Flintshire indicated that Ysgol Sychdyn had a roll of 199 pupils and they predicted that a roll of 198 for 2011-12. Clearly the figure of 177 indicates a change in the schools fortunes that is almost certainly</p>	<p>School rolls fluctuate for a variety of reasons. The Ofsted report may have an influence, or a fall in the number of school age children in the village may be the reason for a fall on the numbers at the school. Developer contributions can only be required when a development is likely to increase the pupil numbers which will cause</p>	

	<p>due to a poor Ofsted report and is therefore likely to be a temporary factor in the size of the school roll. Add to this the very conservative estimate for the number of additional pupils generated by the new development and very different picture emerges.</p> <p><b>1.1 Purpose.</b> A fully approved brief is a significant document providing 'clear advice' and guidance as to the form that future development on the site should take. However the Brief should not be too prescriptive at this stage but should provide guiding principles to be used in preparation of the conceptual design, form and layout of the development proposed.</p> <p><b>2.1 Site Description</b> A point of correction in that the land is cultivated and in agricultural use.</p>	<p>pressure on a school. This situation will be assessed again at the time of the planning application when the most up to date information will be considered. The brief merely seeks to provide guidance on the likely requirements to be met as part of the development.</p> <p>Noted</p>	
Huw Evans Planning on behalf of the landowner Mr D. Williams			n/a
	<p><b>3.0 Status of brief</b> 3.1 It is noted that there has been wide consultation internally within the Council and with statutory and non statutory consultees. This is the first opportunity for the major land owner to become involved and considerable weight should be attached to the landowner's comments.</p> <p><b>4.0 Planning context and history</b> 4.1 The level of growth that this development would achieve is in the mid range of the 8% to 15% band width for a category B settlement, which means that the site has the potential to accommodate an increased density if required, particularly given its sustainable location. 4.2 Whilst acknowledging Wats Dyke as</p>	<p>Accepted</p> <p>The land owner has been aware of the allocation and the issues surrounding the site for many years and in fact took the opportunity to make comments in support of the allocation at the public inquiry in 2007. Weight will be attached to comments on their planning merits rather than who made them.</p> <p>Part Accepted. The fact that Sychdyn is likely to achieve a growth in the mid point of the 8-15% growth is not considered to have any direct bearing on achieving a higher density. The inspectors recommendations are quite clear as to a 30 dwellings per hectare target and that policy HSG8 provides the basis on which to determine the most appropriate</p>	<p>Change the second sentence in para 2. Site Description to; "The land is flat and with the exception of the northern corner where the sewage works was located, is in agricultural use." Subsequent change to," The land is generally flat and is in agricultural use." n/a</p>
			Amend 2 <sup>nd</sup> sentence of para. 4.2 by adding the words 'locally important'.before 'Wats Dyke...

	<p>an archaeological feature it should be made clear that it does not have formal protected status as it is not a scheduled Ancient Monument and very little physical and visual evidence remains in this location. Therefore the site's degree of sensitivity needs to be more accurately described.</p>	<p>density for a development having regard to the characteristics of the site and surrounding area and the need to embrace high quality design principles. Para 6.12 makes it clear that the Wats Dyke, in the vicinity of the site is not a Scheduled Ancient Monument but that it is of local archaeological importance. Nevertheless a minor amendment to the planning context section is considered reasonable.</p>	
	<p><b>5.0 Development plan policies and guidance</b> 5.1 A minor typographical error in that both Appendices 1 and 2 should be referred to in the text.</p>	<p>Accepted</p>	<p>In paragraph 5 replace 'These can be found in Appendix 2', with 'Regard will be given to national guidance in the form of Planning Policy Wales and Technical Advice Notes (TANs). The relevant development plan is the Flintshire Unitary Development Plan (UDP) which was adopted on 28th September 2011. Other local guidance is in the form of Local Planning Guidance Notes, these are being reviewed with the view of adopting them as Supplementary Planning Guidance in the near future. UDP policies can be found in Appendix 1 and a List of Local Planning Guidance notes can be found in Appendix 2.</p>
	<p>5.2 It is taken as read that national planning policy and technical advice also apply as material planning considerations.</p>	<p>Noted</p>	<p>See above</p>
	<p><b>6.0 Local Context Layout and Design.</b>6.2 With regard to the 25m archaeological buffer shown on the Site Context and Analysis Plan it is considered that this is far too restrictive and that there is no reasonable justification for such an extensive area to be excluded from the developable part of the site. In fact it would appear that the emailed consultation response from CPAT dated 22/09/2010 has been misinterpreted and in reality the buffer area should only extend north west of the proposed access to the west of Fairfield. This is due to the fact that Fairfield and Lilac Cottage are</p>	<p>Not accepted. CPAT have confirmed that the buffer zone should be 25m wide and 150m in length and that the buffer zone represents the full width of the original bank and ditch. Although there is existing built development in the form of Fairfield and Lilac Cottage, it is unknown as to what level of importance the archaeological features are in this part of the buffer zone.  In earlier correspondence from CPAT it was established that, in connection with the possible provision of a second vehicular access between Lilac Cottage and Fairfield, it would be necessary to require a full</p>	<p>n/a</p>

	<p>already developed and any evidence of Wats Dyke in this part of the site has long since gone. To continue the buffer strip in this fashion appears to be without logic or good reason and therefore it should be excluded.</p>	<p>archaeological investigation to be funded by the developer, as a condition of any grant of planning consent.</p> <p>In these circumstances it would be inappropriate to delete the eastern part of the buffer zone. However, there may be scope, as part of pre-application discussions between the developer, CPAT and local authority to consider whether development could be accommodated on this part of the buffer zone, subject to appropriate archaeological investigations. It would be premature for the brief to provide prescriptive guidance until such time as indicative layouts for the site have been drawn up and the degree of likely disturbance of this part of the buffer zone can be properly assessed.</p>	
	<p>6.3 The need to have regard to Wats Dyke alongside the existing footpath is acknowledged. However the need for it to extend into the site for 25 metres is considered to be excessive and the Brief does not provide reasoned justification for such a restriction. Earlier correspondence between the landowner and CPAT in November 2004 indicated that a much shorter protected depth of 10m was being advised. The line of Wats Dyke in this location is in fact very difficult to discern from a purely visual aspect and no rationale has been provided as to the precise purpose of the protected area.</p>	<p>The advice given to the authority from CPAT clearly states that the width of the buffer should be 25m which represents the full width of the bank and ditch.</p>	n/a
	<p>6.4 The Brief provides no information on how this land is to be treated and how it is going to be managed and maintained in the future. It cannot be put to any productive use and to have it as a flat, mowed piece of grassland would give a rather sterile appearance which would do</p>	<p>The land can form part of the open space requirement perhaps adjacent to the play area but not containing any play equipment. The authority would then be responsible for maintenance and upkeep under the usual conditions applied by the play unit.</p>	n/a

	<p>little to enhance the visual quality or biodiversity of the area. 6.5 The landowner would have no objection to a lesser buffer strip of no more than 10m provided that this can be properly reached whereby the developer would provide for appropriate interpretation within a suitably landscaped setting and dedicate this area to the local community council.</p> <p>6.6 Alternatively this area could form the required public open space and play area which would not only be a good use of the land but would be in an ideal location and realise the Brief's aim to 'visually, functionally and physically integrate' the development into the existing built form of the village.</p>		
	<p>6.7 This leads conveniently to the requirement of the brief that the play area should be centrally located within the site. The play area and open space is but one element to be taken into account in the design and layout of the site. It should be considered at the conceptual design stage where sustainability, orientation, movement within and out of the site and many other issues are considered. It would be premature to be so prescriptive regarding the location of the play area at this stage of the design process as this could prejudice sustainable design solutions, particularly in light of the need to have regard to national policy and advice on climate change.</p> <p>6.8 Greater clarity is also required regarding what can take place within the public assets buffer strip. It appears that it would be acceptable for highway works to be accommodated within this area.</p>	<p>Partly accepted. The purpose of the Development Brief is to provide clear advice to potential applicant on the requirements, expectations, opportunities and constraints of the site. The brief may suggest solutions but it cannot be totally prescriptive. The site context and analysis plan show an indication of where the open space/ play area might be located. A central location would ensure natural informal surveillance which is always advisable for play areas. The plan is indicative only and is not prescribing exactly where that use should be.</p> <p>Clarify on the key of the indicative plan by adding 'Possible' - to the central open space/ play area, notation.</p> <p>The purpose of this brief is to hi-light issues and not to be too prescriptive nevertheless para 6.10 states that no building will be allowed within 3m of the public assets or sewers which are within the site. It is for the developer to resolve the implications of these constraints with Welsh Water Dwr</p>	<p>Change annotation on the indicative plan to 'Possible central open space/ play area.'</p>

		Cymru as part of producing a draft layout.	
	<p><b>7.0 Density</b></p> <p>7.1 The density guidance in the brief represents an increase of 11% in the growth of the settlement which is a category B with a recommended band width of between 8% and 15%. If necessary the density could be increased to meet any additional need.</p>	<p>A density of 30 per ha has been applied to this site and taking into account the open space, the archaeological buffer and the other constraints, and having regard to policy HSG8 represents a realistic number for this site. Any alternative density figure for the site is a matter for the developer to justify as part of a Design and Access Statement or Planning Statement. The level of growth for the settlement is therefore not considered relevant in the determination of an appropriate density for the site.</p>	n/a
	<p><b>8.0 Sustainable Development</b></p> <p>8.1 This is a significantly important consideration and the design of the development will be led by the principles as set out in Welsh Government policy and technical advice.</p>	Noted	n/a
	<p><b>12.0 Parking</b></p> <p>12.1 It is considered that insistence on the maximum parking standards as set out is not appropriate in what is essentially a rural area with relatively limited public transport options. It is also clear that current lifestyles are such that young adults are staying within the family home at a later age thus giving rise to a greater off road parking need.</p>	<p>Both national planning guidance and UDP policy AC18 applies parking standards as a maximum. Sychdyn is not a remote rural area being part of a cluster of dwellings near Mold and being close to a wide range of facilities services and employment . In terms of seeking to ensure the most sustainable form of development for the site it would be inappropriate to specify a higher level of parking provision.</p>	n/a
	<p><b>13.0 Services Infrastructure</b></p> <p>13.1 Greater clarity is required regarding any implications for the development of any lack of capacity in the existing Waste Water Treatment Works up until March 2015.</p>	<p>Any developed proposal will be considered under policies GEN1(h) and EWP16 Water Resources and as such consultations will be carried out with Welsh Water, preferably at the pre application stage as part of designing a scheme. In a recent appeal decision relating to St Mary's Park, Mold the inspector stated 'It [Welsh Water ] sought to prohibit the commencement of development until improvement works had been undertaken to</p>	n/a



			its waste water treatment works. There is no evidence before me to indicate that the nature of any problems that could be caused by the additional loading imposed by the development. In the circumstances and bearing in mind this housing allocation has been identified in the UDP for several years, this matter does not warrant delaying the commencement of development.	
	<p><b>14.0 Affordable housing</b></p> <p>14.1 The views of the Council's Housing Strategy Manager are noted and the provision of the affordable housing element of 2 bed bungalows at market value to meet the local need is the preferred option of the developer subject to agreement on the numbers required.</p>		Noted	n/a
	<p><b>15.0 Archaeological Issues</b></p> <p>15.1 Comments have been made earlier in this response to archaeological issues and it is considered that there is no justification for either a 25m depth of buffer neither should it extend to the land occupied by Fairfield and Lilac Cottage. Concern is also expressed regarding the preferred landscape treatment as expressed in the brief. There is no guidance on the mechanism as to how, and by whom, this is to be maintained in the future.</p>		See previous comments.	n/a
	<p><b>18.0 Education Contributions</b></p> <p>18.1 The primary school capacity position is noted.</p> <p>18.2 With regard to a contribution to secondary school contribution it is considered that this is premature pending resolution of the future of Argoed High School. Furthermore clarification is required as to the Council's position regarding the Community Infrastructure Levy and any charging regime that may be introduced prior to April 2014. If a permission on the site is not granted until</p>		Negotiations in relation to the contributions to education will use the most up to date information available at the time of the planning application. At the present time no CIL process is in operation and it is unlikely to be up and running until after 2014.	n/a

	<p>after a charging scheme has been approved then a S106 contribution may not be appropriate.</p> <p><b>20.0 Other Matters</b></p> <p>20.1 The remaining important area of concern which is not addressed in the Brief is in regard to land ownership and the fact that, particularly if the buffer requirement to the south east of the proposed access off Ffordd Eldon is removed, all of the areas of constraint are contained within the land owned by Mr Williams. This represents an onerous restriction whereas other land owners will be able to develop their land with few constraints.</p> <p>20.2 The Brief should recognise this and the Council is requested to be open to discussing a mechanism whereby a more equitable arrangement could be agreed. This could be achieved partly by a phasing arrangement and S106 Agreement.</p>	<p>This brief has been drawn up to highlight the issues in relation to the development of the site. The details land ownership constraints are matters for the owners and developer to discuss and resolve when a scheme is drawn up. Since the site is relatively small there seems little justification for phasing the development.</p>	n/a
<p>Mr Howard White. Ramblers Association Cymru</p>	<p>Vownog devt Brief Sychdyn:</p> <p>As far as I am aware the Ramblers Cymru was NOT consulted on this Brief. If they had been, these comments might have come sooner. Perhaps this type of Brief can be included in a consultation list with RA in future?</p> <p>Although the public footpath to west of site is referred to in the text it is not shown on the Site Analysis map as a constraint.</p> <p>This path is now the "Wats Dyke Way" a promoted regional path which is to be shown as such on future editions of Ordnance survey maps.</p> <p>The archaeological buffer zone/grassed area should achieve the protection of the</p>	<p>Partly Accepted. Add reference to the footpath being part of the Wats Dyke Way Heritage Trail in the text and on the Site Context and Analysis plan.</p> <p>With regards to consultation, we have sought to consult on those issues relevant to the site and in this case the footpath does not actually cross the site but skirts round the site. Also since the archaeological buffer is present it was felt that the footpath would not be detrimentally affected by development. The Ramblers Association will only be directly consulted when a development brief is being drafted, if there is a specific footpath issue in relation to the particular site.</p> <p>With regards the other issue in your email, obviously new footpaths within the site and</p>	<p>Change 6th sentence in paragraph 2. Site Description to read:-</p> <p>A public right of way runs along the southern edge of the site which forms part of the Wats Dyke Way Heritage Trail.</p> <p>And change 1<sup>st</sup> sentence in the 2<sup>nd</sup> paragraph of 6.8 Highways access to read:-</p> <p>A public footpath (Footpath No 33 which forms part of the Wats Dyke Way Heritage Trail) runs along the south west boundary of the site and it will be necessary to protect this footpath within any development.</p>

	<p>path and its surrounds which was a comment I made at time of UDP.</p> <p>I welcome the ref in Brief to the need to incorporate walker/cycle - friendly routes through devt.</p> <p>Although perhaps beyond the scope of this brief, if a public path route could be created to east of site (eg up pumping station access track) this would enhance access to countryside and the Flintshire Rural Walk near Sychdyn Hall.</p>	<p>possible links through the site will be considered at a planning application stage and it is beyond the scope of this brief to prescribe a route at this stage. It is likely the Ramblers Association will be consulted as part of a planning application on the site when more details will be available.</p>	
	<p>Following further changes and re-consultation additional comments were received.</p>	<p>Noted.</p>	
<p>Huw Evans Planning on behalf of the landowner Mr D. Williams</p>	<p>The point made in para 3.1 – implementation of development plan proposals rely upon the viability and acceptability of the development proposals.</p> <p>Serious reservations remain with regard to the extent of the 25m archaeological buffer.</p> <ul style="list-style-type: none"> <li>- Insufficient justification as Wats Dyke is not a Scheduled Ancient Monument and there is no visual evidence of its existence in this location.</li> <li>- The brief sterilizes brownfield land within the settlement boundary and the requirements of the brief are therefore contrary to the UDP and PPW.</li> <li>- If the site is mowed grass area it will be visually and ecologically dull adding little to the landscape and visual quality of the area.</li> </ul> <p>Reservations still remain regarding the prescriptive nature of the open space guidance.</p>	<p>Wats Dyke is a locally important ancient monument and this should be taken into consideration in the development of the site. Only part of the site, the north west corner where the sewage works was located was ever considered as brownfield land, so to refer to the archaeological buffer as brownfield is incorrect. The land can form part of the open space requirement perhaps adjacent to the play area but not containing any play equipment.</p>	<p>N/a</p> <p>N/a</p>
		<p>The brief highlights the requirements for open space which is the same for all housing developments and the plan in the brief is indicative only.</p>	<p>N/a</p>

<p>Huw Evans Planning on behalf of the landowner Mr D. Williams</p>	<p>Firstly, it would appear that the area on which the buffer zone is located has been subject to tipping in the past. It is understood that it was used for the deposit of domestic refuse prior to Watts Dyke being filled in the 1960s. Since that time the land has been frequently ploughed due to its active agricultural use. This raises doubt as to what evidence of the Dyke now remains under the surface. I would therefore formally ask if the Council has any record of the previous tipping activity and its extent. It would be useful if we could have sight of any records in the Council possession.</p>	<p>The buffer zone area and the allocated site as far as I am aware has never been subject to tipping. The Head of Public Protection has required a site investigation as part of any planning permission to ensure any contamination is identified.</p>	<p>N/a</p>
<p>Secondly I would query the inclusion of Lilac Cottage within the area of the brief. As it stands at present no development will be able to take place within its curtilage as it is virtually all included within the buffer zone. Its inclusion therefore appears illogical. If the Brief doesn't permit the site to be developed then surely it should be excluded in the same way as the neighbouring property Fairfield. If on the other hand there is to be a relaxation of the restriction in this part of the buffer then why does it not also apply to the area owned by Mr Williams?</p>	<p>At the time of the UDP public inquiry, the owners of Lilac Cottage requested that the garden of Lilac Cottage and a small field beyond be included into the allocated site and this was partially agreed by the Inspector. The Inspector recommended that only the portion of land within the settlement boundary (the garden area) be incorporated into the allocated site to enable the provision of a development which would integrate better with existing houses and facilitate access. The archaeological buffer does extend over that area of the site but since the land has already been built upon, the restriction to keep the area as open land will not apply. As part of any development on the Lilac Cottage part of the site, there will be a requirement to carry out an archaeological survey. Since the land in the buffer zone within Mr Williams ownership has never been built on, the requirement to keep the area open does apply. In order to clarify this issue, a change will be made to the Development Brief in the second sentence</p>	<p>Change paragraph 6.12 to read: 6.12 The Site Analysis Plan shows the extent of the proposed safeguarding corridor and CPAT suggest that the undeveloped area is left as open grassed or lawned areas with no hard or intrusive landscaping and that a full archaeological survey be carried out on the developed part of the corridor.</p>	

			<p>The third issue relates to the play area and its proximity to the existing facility which is within 130 metres of the Brief site. It is therefore suggested that a better option may be to seek financial contributions to the upgrading of the existing play area as the Brief site will be well provided for with open space due to the safeguarding requirements of Watts Dyke.</p>	<p>of paragraph 6.12.</p>	<p>In terms of the open space requirements, these have been clearly set out. It would be premature for the brief to provide such prescriptive guidance on the matter of a financial contribution to upgrade the existing play area, this is matter which can be discussed at the planning application stage.</p>		<p>n/a</p>
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