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Gareth Owens LL.B Barrister/Bargyfreithiwr
Chief Officer (Governance)
Prif Swyddog (Llywodraethu)

To: ALL MEMBERS OF THE COUNCIL

CS/NG

18 September 2015

Nicola Gittins on 01352 702345
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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 **THURSDAY, 24TH SEPTEMBER, 2015** at **2.00 PM** to consider the following items.

Yours faithfully

Democracy & Governance Manager

AGENDA

1 **PRESENTATION**

Awards Recognition:
Family Support Service Multi-Agency Partnership, winners of the Better Outcomes through Working Together category of the 2015 Social Care Accolades.

KIM Inspire Project winner of the 2015 Social Care Accolades Tenth Anniversary Award.

2 **APOLOGIES FOR ABSENCE**

3 **COUNCIL MINUTES** (Pages 3 - 10)

To confirm as a correct record the minutes of the meeting held on 23rd July 2015.

4 **DECLARATIONS OF INTEREST**

To receive any declarations of interests from Members.

5 **CHAIRMAN'S COMMUNICATIONS**

6 **PETITIONS**

7 **PUBLIC QUESTION TIME**

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 2 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 18 September 2015.

10 **NOTICE OF MOTION**

11 **MEDIUM TERM FINANCIAL STRATEGY** (Pages 11 - 56)

Report of Chief Executive enclosed.

12 **STATEMENT OF ACCOUNTS 2014/15** (Pages 57 - 244)

Report of Corporate Finance Manager enclosed.

13 **SUPPLEMENTARY FINANCIAL INFORMATION TO STATEMENT OF ACCOUNTS 2014/15** (Pages 245 - 250)

Report of Corporate Finance Manager enclosed.

14 **TREASURY MANAGEMENT ANNUAL REPORT 2014/15** (Pages 251 - 266)

Report of Corporate Finance Manager enclosed.

15 **CONSULTATION ON ELECTORAL REVIEWS FOR MERGED AUTHORITIES** (Pages 267 - 276)

Report of Chief Executive enclosed.

16 **SYRIAN AND NEAR/MIDDLE EASTERN REFUGEE CRISIS**

To receive a verbal report from the Chief Executive.

FLINTSHIRE COUNTY COUNCIL
23 JULY 2015

Minutes of the meeting of Flintshire County Council held in the Council Chamber, County Hall, Mold on Thursday, 23 July 2015

PRESENT: Councillor Ray Hughes (Chairman)
Councillors: Alex Aldridge, Bernie Attridge, Glyn Banks, Haydn Bateman, Marion Bateman, Chris Bithell, Amanda Bragg, Derek Butler, David Cox, Paul Cunningham, Peter Curtis, Ron Davies, Chris Dolphin, Ian Dunbar, Andy Dunbobbin, Brian Dunn, Carol Ellis, David Evans, Ron Hampson, George Hardcastle, David Healey, Cindy Hinds, Dennis Hutchinson, Rita Johnson, Christine Jones, Kevin Jones, Richard Jones, Colin Legg, Phil Lightfoot, Brian Lloyd, Richard Lloyd, Mike Lowe, Dave Mackie, Nancy Matthews, Ann Minshull, Tim Newhouse, Vicky Perfect, Neville Phillips, Mike Reece, Gareth Roberts, Ian Roberts, David Roney, Tony Sharps, Aaron Shotton, Paul Shotton, Ian Smith, Carolyn Thomas, David Williams, David Wisinger, Arnold Woolley, and Matt Wright

APOLOGIES:
Councillors: Helen Brown, Clive Carver, Adele Davies-Cooke, Alan Diskin, Glenys Diskin, Veronica Gay, Robin Guest, Alison Halford, Hilary Isherwood, Hilary McGuill, Billy Mullin, Mike Peers, and Owen Thomas

CONTRIBUTORS:
(For minute No.33) Winston Roddick, CB QC, Police and Crime Commissioner for North Wales, Julian Sandham, Deputy Police and Crime Commissioner, Sharon McCairn, County Chief Inspector – Flintshire, and Rhian Roberts, Policy Officer.

IN ATTENDANCE:
Chief Executive, Chief Officer (Governance), Corporate Finance Manager, Member Engagement Manager; and Committee Officer

Prior to the start of the meeting the Chairman referred to the recent deaths of Anne McGlade and Andrew Green, both of whom were Flintshire County Council employees, and asked all present to stand in silent tribute in their memory.

26. MINUTES

The minutes of the meetings held on 23 June 2015 had been circulated with the agenda.

RESOLVED:

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

27. DECLARATIONS OF INTEREST

None were received.

28. CHAIRMAN'S COMMUNICATIONS

A copy of the Chairman's communications had been circulated to all Members before the meeting. The Chairman reported on the positive outcome of the events attended.

29. PETITIONS

The Chief Officer (Governance) confirmed that none had been received.

30. PUBLIC QUESTION TIME

The Chief Officer (Governance) confirmed that none had been received.

31. QUESTIONS

The Chief Officer (Governance) confirmed that none had been received.

32. NOTICE OF MOTION

Councillor Arnold Woolley had submitted the following Notice of Motion:

"That this Council recommends to the Cabinet that they should establish a cross-group working party to examine the process and feasibility of introducing a dog DNA recognition information bank for dog owners within the County, in order to deal effectively with the ongoing most common complaint of ordinary citizens; namely that of the dog faeces fouling of pavements and other locations by that number of irresponsible dog owners who display no social conscience and thereby create a public nuisance and potentially endanger the health and well-being of residents in and visitors to the County".

Councillor Woolley read out a statement in support of his request and emphasised the risks to public health and well being as a result of the ongoing problem of dog fouling in public areas. He outlined the need for a dog DNA recognition bank and said that dog DNA registration was not an annual requirement but a "one-off" process at a minimal/reasonable cost. He said the implementation of such a scheme would achieve significant savings for the Authority in terms of the cost and resources required to remove dog faeces, and to monitor and enforce sanctions against irresponsible dog owners.

Councillor Woolley thanked Councillor Bernie Attridge who had suggested an amendment to the Notice of Motion, to reflect that the Environment Overview & Scrutiny Committee would be asked to consider setting up a Task & Finish Group to look into the DNA testing of dogs.

Councillor David Roney spoke to second the Notice of Motion and said that a feasibility study would be welcomed. He commented on the one-off cost of dog DNA registration which he felt was not prohibitive to the general public and said that charitable bodies may also be able to provide financial assistance towards such cost in cases of genuine need. He reiterated Councillor Woolley's comments on the risk to public health, and the financial savings and efficiencies that a dog DNA registration scheme would bring to the Authority.

On being put to the vote, the proposal was carried. Councillors Rita Johnson and Brian Lloyd voted against the Notice of Motion.

RESOLVED:

That the Notice of Motion be supported and the Environment Overview & Scrutiny Committee requested to establish a Task and Finish Group to consider the feasibility of canine DNA testing.

33. POLICE AND CRIME COMMISSIONER FOR NORTH WALES

The Chief Executive welcomed and introduced Mr. Winston Roddick, CB QC, who had been invited to the meeting to discuss the role, impact and operation of the Police and Crime Commissioner and how the Police and Crime Commissioner, and the Police and Crime Plan work with/for Flintshire in partnership.

Mr. Roddick thanked Members for their invitation and introduced Julian Sandham, Deputy Police and Crime Commissioner, Sharon McCairn, County Chief Inspector for Flintshire, and Rhian Roberts, Policy Officer.

Mr. Roddick gave an overview of his role, powers, and responsibilities as Police and Crime Commissioner for North Wales. He advised that he was the link between the professionals who delivered policing services and the public who received those services. He explained that the role of the Police and Crime Commissioner was unprecedented and that he had been elected to office two and half years ago. He said that he worked full-time and that his performance was scrutinised by the independent Police and Crime Panel. He had an overarching duty to secure an efficient and effective police force which demonstrated value for money and reduced crime. He referred to his four main duties which were to:

- Set out the priorities for policing in North Wales
- Decide the budget for North Wales Police
- Hold the Chief Constable to account; and
- Listen and respond to the public's views on policing

Mr. Roddick commented on his wish to nurture a solid partnership with Flintshire County Council and expressed particular appreciation for the support of the Chief Executive on community safety work. He commented on the need to work closely with partners to secure long term solutions to crime and disorder and referred to the many different types of organisations he worked with to ensure improved services to the people of North Wales. He advised that his role specifically involved working in partnership with the four Community Safety Partnerships in North Wales, the North Wales Safer Communities Board and the North Wales Regional Leadership Board.

Mr. Roddick reported on his vision and priorities for the future and the outcomes he sought to achieve which were security in the home, safety in public places, and a visible and accessible policing service. He referred to the Police and Crime Plan which sets out the police and crime objectives, performance and accountability to deliver the required outcomes. He said the Plan must have regard for the national strategic policing requirements. The four police and crime objectives were:

- To prevent crime
- To deliver an effective response
- To reduce harm and the risk of harm
- To build effective partnerships

Mr. Roddick commented that in the current period of severe financial austerity North Wales Police faced significant financial challenges and delivery of the above objectives and the achievement of the outcomes were challenging.

Mr. Roddick commented on the consultation undertaken on the Police and Crime Plan and the Commissioner's expenditure plans. He reported that he had developed an integrated victims' strategy incorporating the key themes of domestic abuse, sexual violence, hate crime, and anti-social behaviour, with the emphasis on providing a comprehensive service to victims.

Addressing the question of funding for North Wales Police, Mr. Roddick explained that one of his main responsibilities was to set the annual precept and gave an outline of the process and the matters which were taken into account. He advised that to enable the Chief Constable to work effectively towards the above objectives he had proposed that the precept for 2015/16 was increased; this had meant a rise in council tax by 3.44%. He reported that North Wales Police was facing a 5.1% reduction in government funding for 2015/16 which was the fifth year of substantial cuts. The increase in the precept allowed the force to set up a new specialist team to address terrorism, child sexual exploitation, and cyber-crime.

Mr. Roddick explained that whilst there had been a reduction in most types of crime in North Wales, some victim based crimes remained unreported and he cited domestic abuse and sexual exploitation as examples. He reported that he had established a Victim Help Centre to help victims of crime and invited his deputy Mr. Julian Sandham to report on the Centre. Mr. Sandham added that the fully bilingual Victim Help Centre went live on 1 July 2015 from its base at police divisional headquarters in St. Asaph. It covered the whole of North Wales and aimed to improve the way victims of crime were looked after in the region. The Centre was a one-stop service for victims and replaced the former Victim Support owned arrangements and brought together the support services of North Wales Police and the Crown Prosecution Service. Victims were either given direct help and support or were signposted to specialist services according to need.

In conclusion, Mr. Roddick reported on some of his main achievements since taking up office and cited as examples a reduction in crime, the alignment of strategic objectives and strategic plans, setting up of a dedicated team to address crime in rural areas, and the protection of children at risk and victims of domestic abuse and hate crime. He referred to the positive data provided by the England and Wales Crime Survey and reiterated his comments that North Wales was a safe place to live, work and visit. Mr. Roddick also gave an assurance that the precept was being “spent appropriately and spent to good effect”.

The Chairman thanked Mr. Roddick for his detailed presentation and Mr. Sandham for his presentation on the Victim Help Centre. He invited Members to ask questions.

Councillor Chris Bithell referred to the recovery of proceeds of crime from criminals and asked if North Wales Police was proactively pursuing this. In his response Mr. Roddick explained that the statutory responsibility for enforcing an order made by the Court was the responsibility of the prosecuting authority not the Police, however, it was his view that money recovered from those who committed crimes in North Wales should go back to the local communities to help reduce crime and anti-social behaviour.

Councillor Paul Shotton raised concerns around the reduction in the number of police constables and commented on the use of police community support officers (PCSOs). He also referred to the under-reporting of some crimes and asked what measures would be taken to improve the situation. Mr. Roddick responded to the concerns raised and referred to data published by the Police Federation. He reported on the number of staff lost between 2010-2014 for North Wales Police which was the least in England and Wales and the fourth least for police officers. This has been achieved in the main through natural wastage . He referred to the effective role of the PCSOs which was highly valued by the general public and provided a valuable point of liaison with the Police force. On the issue of reporting of crime, Mr. Roddick said he was pleased that instances of reported crime were rising as he positively encouraged victims of crime to make a complaint.

Referring to the role of PCSOs, Councillor Nancy Matthews said that their attendance at Community Council meetings was invaluable and cited an example where there had been no attendance to the disappointment amongst Community Council members.

Councillor Ian Roberts expressed his regret that the timing of the presentation had not afforded Members sufficient opportunity to raise the further questions they would like to have asked. It was agreed that Mr. Roddick would be asked to provide a written response to any further supplementary questions submitted by Members.

RESOLVED:

(a) That the presentation be received; and

(b) That Mr. Roddick be asked to provide a written response to any further supplementary questions submitted by Members.

34. FINANCIAL PROCEDURE RULES

The Corporate Finance Manager introduced a report on the proposed updated Financial Procedure Rules (FPRs) for approval following consideration by the Audit Committee and Constitution Committee. He provided background information and referred to the key considerations in the report. He explained that once approved the FPRs would be published on the Infonet and a programme of awareness raising would be implemented with all staff needing to complete a training session to ensure they are aware of the responsibilities they have in the adherence of the FPRs.

RESOLVED:

That the updated financial procedure rules as detailed in appendix A to the report be approved.

35. REQUEST TO CHANGE THE NAME OF A COUNCIL

The Chief Officer (Governance) introduced a report to enable Council to consider a proposal from Gwernaffield Community Council to change its name to Gwernaffield and Pantymwyn Community Council. He provided background information and referred to the key considerations as detailed in the report. The Chief Officer reported that Councillor Adele Davies-Cooke, Ward Member for Gwernaffield, had advised that she fully supported the proposal.

RESOLVED:

That the change in the name of Gwernaffield Community Council to Gwernaffield and Pantymwyn Community Council be approved.

36. SCHEDULE OF MEMBER REMUNERATION

The Chief Officer (Governance) introduced a report to consider amending the format of the Council's Schedule of Member Remuneration to reflect recent guidance issued by the Independent Remuneration Panel for Wales ("The Panel"). He provided background information and referred to the main considerations. He explained that a recommended revised Schedule of Member Remuneration seeking to combine the best parts of the Panel's proforma and the Council's existing schedule was appended to the report.

The Chief Officer advised that the Constitution Committee at its meeting on 1 July 2015, had resolved that the new format be adopted. The Committee had asked that the additional responsibilities of those Members receiving allowances from public and other bodies be explained and the Schedule had been amended to reflect this.

RESOLVED:

That the new format of the Schedule of Member Remuneration as agreed by the Constitution Committee be adopted.

37. OVERVIEW & SCRUTINY TERMS OF REFERENCE

The Chief Officer (Governance) introduced a report to consider a recommendation from the Constitution Committee to amend the terms of reference for the Corporate Resources Overview and Scrutiny Committee. He provided background information and referred to the key considerations. He explained that an amended version of the terms of reference for the Corporate Resources Overview & Scrutiny Committee was appended to the report.

Councillor Ian Roberts advised that the Education & Youth Overview & Scrutiny Committee had requested that it be notified of any future issues arising around dual use leisure centres. He requested that when items are submitted to the Organisational Change Overview & Scrutiny Committee relating to dual use leisure centres and libraries located on school premises, that the Education and Youth Overview & Scrutiny Committee be kept fully informed.

RESOLVED:

(a) That the inclusion of references to Value for Money and the Medium Term Financial Strategy and Plan within the terms of reference of the Corporate Resources Overview & Scrutiny Committee, as shown in appendix 1 to the report, be approved; and

(b) That the Chief Officer (Organisational Change 1) be requested to keep the Education and Youth Overview & Scrutiny Committee informed of any future items submitted to the Organisational Change Overview & Scrutiny Committee relating to dual use leisure centres and libraries located on school premises.

38. MEMBERS OF THE PRESS AND PUBLIC IN ATTENDANCE

There was one member of the press present.

(The meeting started at 2.30pm and ended at 4.10pm)

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Chairman

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FLINTSHIRE COUNTY COUNCIL

REPORT TO:	**FLINTSHIRE COUNTY COUNCIL**
DATE:	**THURSDAY, 24 SEPTEMBER 2015**
REPORT BY:	**CHIEF EXECUTIVE**
SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY**

EXECUTIVE SUMMARY

This report introduces Part II of the Medium Term Financial Strategy (MTFS) for the three year period 2015-2018 for the Council Fund. The report and the strategy have been referred to Council for open debate and adoption by Cabinet from its meeting held on 15 September.

Part I of the Strategy, which forecast the resources which are likely to be available to the Council for this three year period, and the pressures on those resources that we can foresee and calculate, was published earlier this summer.

Part II will set out how the Council could manage a significant reduction in resources – in a period of major reductions in national funding for local government – whilst seeking to protect local public services and retaining its position as a well governed and high performing local authority in Wales. This concluding part of the MTFS, which will be presented at the meeting, is titled *Meeting the Financial Challenge*.

Meeting the Financial Challenge opens by sizing the financial challenge facing the Council, some £52.8m of budget reductions required over three years, and then explores how Flintshire is funded and performs compared to the rest of the local government sector in Wales. The funding strategy to meet this unprecedented financial challenge is then set out in three parts:-

Funding Strategy Part 1: Service
Funding Strategy Part 2: Corporate Financial Stewardship
Funding Strategy Part 3: Working with Welsh Government

Given that the Council already has in place a plan for meeting the £18.3M gap in resources in 2015-16, the strategy concentrates on how to meet the gap in 2016-17 (£20.8M) and again in 2017-18 (£13.7m)

RECOMMENDATIONS

1. The second and concluding part of the Medium Term Financial Strategy (MTFS) tilted *Meeting the Financial Challenge* is adopted (on recommendation of the Cabinet) for consultation and development as the first step towards setting balanced budgets for 2016-17 and 2017-18;

2. The specific proposals set out by Cabinet for service reform, corporate financing options, and national support and relief, are subject to detailed consultation and development; and

3. There is early engagement with Welsh Government, with cross-council support and with the support and involvement of the Welsh Local Government Association as our representative body, on the case for national support and relief as set out in *Meeting the Financial Challenge.*

REPORT DETAILS

1.00 EXPLAINING THE MEDIUM TERM FINANCIAL STRATEGY

1.01 Councils are required to publish a Medium Term Financial Strategy (MTFS) as part of good governance. The dual purpose of an MTFS is to forecast the financial resources available to a Council for a given period, and to set out plans for how best to deploy those resources to meet its priorities, duties and obligations.

1.02 The latest version of the MTFS of the Council is being published in two parts - Part 1: *Forecasting the Challenge* and Part 2: *Meeting the Challenge*. The MTFS is being published for the three year period 2015/16 to 2017/18 which will take Flintshire to the end of the first year of the new Council which will be elected in May 2017. This new style MTFS will be revised and republished twice per year. Firstly, in January/February, as part of the annual budget setting process, and then in September/October as part of setting the context for the following budget year. The MTFS covers the Council Fund and excludes the stand-alone Housing Revenue Account (HRA) which is a 'ring-fenced' account. A separate MTFS style summary of the HRA is being produced.

1.03 Part 1: *Forecasting the Challenge* has already been published and reported to Cabinet and Corporate Resources Overview and Scrutiny. It is attached as Appendix 1.

1.04 Part 2: *Meeting the Challenge* will be presented in final draft on the day of the meeting. This report gives a preview of its contents.

1.05 Part 1 of the Strategy forecasts a cumulative real reduction in resources available to the Council of £52.8M over the three year period. As Part 1 summarises “our resources are being reduced year on year, through big reductions in the grants we depend on from Government. We then also have to meet cost pressures, such as inflation, with less money at our disposal. Inflation, rises in demand for critical services, such as social care, and the cost of legal obligations placed upon us, such as pension’s reform, all place a strain on our reducing budget.” In the ‘annual settlement’ where Government decides how much funding to set aside for local government, provision was once made for inflation and other pressures with councils being funded to meet them. This is no longer the case with councils now facing this double pressure of an actual reduction in its annual grant on the one side, and no financial protection for the extra things they have to fund on the other. This is why the annual targets for budget reductions are so high. For Flintshire the target for 2015/16 is £18.3M, for 2016/17 20.8M, and for 2017/18 £13.7M. This is how the cumulative target for £52.8M breaks down over the three years based on our latest predictions.

1.06 The Council plans to meet the first £18.3M through a programme of service reforms, efficiencies, budget reductions and income growth. This programme was adopted as part of setting the 2015/16 annual budget. Despite the Council having a high success rate in achieving its annual efficiency targets year on year it cannot be guaranteed that the Council will achieve this challenging total in full. Any ‘failure rate’ in the achievement of targets could mean that we have to find further efficiencies in future years to make up the difference.

1.07 Part II of the Strategy is built up in eight chapters:-

- Chapter 1: *Sizing the Challenge* where the forecast for the three year period from Part I of the Strategy is again set out
- Chapter 2: *Flintshire: An Efficient and Innovative Council* which summarises the Council’s track record of being innovative and cost-effective in managing the decline in public funding thus far
- Chapter 3: *Flintshire: A Low Funded Council* where the case is made that Flintshire, as a low funded council under the national funding formula for local government, is particularly at risk under the UK Government’s national programme of public sector funding reductions and fiscal constraint
- Chapter 4: *Our Three Part Funding Strategy* which introduces the strategy which follows
- Chapter 5: *Funding Strategy Part 1: Service Reform* which sets out our continued programme of service reforms as the first part of a tripartite strategy to manage and save money
- Chapter 6: *Funding Strategy Part 2: Corporate Financial Stewardship* which sets out our proposals for financing options for the whole Council as the second part of a tripartite strategy to manage and save money

- Chapter 7: *Funding Strategy Part 3: Working with Welsh Government* which sets out our case to Welsh Government for financial support and relief as the third part of a tripartite strategy to manage and save money
- Chapter 8: *Summary and Conclusions* where everything is pulled together

1.08 In *Meeting the Challenge* we set out for 2016/17 estimated efficiencies and income growth within services, through service reform proposals, of £7M and a further £5M+ through corporate financing proposals. We then go to set out a number of funding proposals and reforms for Welsh Government of around £7M. The three parts of the funding strategy combined would take us to a total of approaching £20M for the next financial year. The strategy is a basis for future budget options through to 2017/18. There are risks to this strategy. Nothing can be assumed under the third part of the strategy and the willingness and ability of Welsh Government to assist. What is clear from the Council's funding position, and our space to identify further savings beyond those already being reported, is that if Welsh Government does not provide support with flexibilities and some relief then the Council will have to turn to options for much deeper funding cuts which neither it nor the public will find acceptable.

2.00 RESOURCE IMPLICATIONS

2.01 The Medium Term Financial Strategy involved planning the use of the financial resources of the Council for a three year period. The implications and risks are therefore significant. The report and the appendices are self-explanatory in presenting the risks to the Council of the major annual reductions in Government funding it is facing. The three part Funding Strategy is in itself a set of proposed solutions.

3.00 CONSULTATIONS REQUIRED/CARRIED OUT

3.01 Members of the Council have been invited to two Workshops in July where the financial forecast and the developing strategy have been shared and explored. Group Leaders and Overview and Scrutiny Chairs have also been engaged over a period of time by the Leader. Part 1 of the Strategy has been formally reported to Cabinet and Corporate Resources Overview and Scrutiny for comment and adoption. Chief Officers, the Finance Team, and many service managers and teams have been involved in developing the business plans and corporate finance options which are featured in Part II of the Strategy.

4.00 RISK MANAGEMENT

4.01 The national reductions in funding for local government poses the greatest risk to the governance, performance and sustainability of the Council since the previous reorganisation in the mid-1990s. This risk can be mitigated through a twofold approach. Firstly, the Council continuing to streamline and innovate. Secondly, by working with Welsh Government to seek some support and relief from budget reductions based on a reasoned case. This twofold approach is set out in Part II of the Strategy *Meeting the Financial Challenge.*

4.02 The risks posed to the plans to change and innovate within specific services are managed through assessing the risks and impacts of change as part of framing options and making decisions. The Programme Boards set up to oversee the implementation of the Chief Officer portfolio business plans manage these risks in close detail, with reports being made to Cabinet and Overview and Scrutiny at key stages of decision-taking and, later, performance reporting and evaluation.

5.00 APPENDICES

5.01 Appendix 1: Published Medium Term Financial Strategy 2015-2018 Part 1: *Forecasting the Challenge.*

5.02 Appendix 2: Published Medium Term Financial Strategy 2015-2018 Part 2: *Meeting the Financial Challenge.*

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

Various working papers and national reference documents held by the Corporate Finance Officer and Chief Executive.

7.00 GLOSSERY OF TERMS

7.01 **Medium Term Financial Strategy (MTFS):** a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.

7.02 **Council Fund**: the majority of the Council's revenue expenditure covering all services except Council Housing for which there is a stand-alone and ring-fenced account called the Housing Revenue Account (HRA).

7.03 **Housing Revenue Account (HRA):** the Housing Revenue Account is "ring-fenced". This means that local authority housing finance is kept separate from other council accounts.

7.04 **Annual Settlement**: the amount of its funds the Welsh Government will allocate annually to local government as a whole, as part of its total budget, and to individual councils one by one. The amount of Revenue Support Grant (see below) each council will receive is based on a complex distribution formula for awarding Aggregate External Finance (AEF). The formula is underpinned by assessments of local need based, for example, of population size and demographics and levels of social deprivation.

7.05 **Aggregate External Finance (AEF):** the total amount of support the Welsh Government provides to councils each year. The total is made up of Revenue Support Grant (see below), a share of the national 'pool' of National Non-Domestic Rates (see below) and a number of specific grants where funds are provided for councils to spend on specified services to achieve pre-set outcomes for example in education or waste collection.

7.06 **Local Government Funding Formula**: the system through which the annual funding needs of each council is assessed at a national level, and from which each council's annual AEF (see above) is derived. The formula is very complex. In summary, using information such as statistics on local population change and deprivation, the formula sets a guide for each council's funding needs called the Standard Spending Assessment (SSA).

7.07 **Standard Spending Assessment (SSA):** Standard Spending Assessments are notional calculations of what each Council needs to spend to provide a standard level of service.

7.08 **Revenue Support Grant**: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.

7.09 **National Non-Domestic Rates**: the business equivalent of the Council Tax where companies pay a property based tax for local services. Each council as the local collection authority collects the tax from companies, pays it into a national 'pool', and then receives a share back as part of its Annual Settlement (see above).

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Medium Term Financial Strategy

Part 1 - September 2015

2015 - 2018

CYNGOR Sir y Fflint
Flintshire
COUNTY COUNCIL

Introduction

This Medium Term Financial Strategy (MTFS) is comprised of two parts. The first part the Medium Term Financial Strategy (MTFS) forecasts the resources the Council is likely to have over the next three years. In Part 2 of the MTFS *Meeting the Financial Challenge* the Council sets out plans and solutions for managing with reducing resources over this three year period.

Our resources are being reduced, year on year, through big reductions in the grants we depend on from Government. We then also have to meet cost pressures, such as inflation, with less money at our disposal. Inflation, rises in demand for critical services, such as social care, and the cost of legal obligations placed on us, such as pensions reform, all place a strain on our reducing budget.

A summary of the forecasting position for 2015/16 - 2017/18 is set out below.

Table 1 - Summary of forecasting position 2015 - 2018

Expenditure	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**Total £m**
National Pressures	0.9	0.4	0.3	1.6
Local Pressures	6.2	2.5	1.2	9.9
Inflation	4.1	4.1	4.3	12.5
Workforce Pressures	2.5	9.4	3.7	15.6
Income				
Reduction in Revenue Support Grant (3.5%)	6.6	6.5	6.3	19.4
Council Tax Increase (3%)	(2.0)	(2.1)	(2.1)	(6.2)
Projected Gap	**18.3**	**20.8**	**13.7**	**52.8**

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1. National Pressures

These are financial pressures which are driven nationally and are beyond the control of the Council. They may come about from policy directions or new legislation from either UK Government or Welsh Government, where powers are increasingly devolved. These pressures are expected to be met by councils without extra funds being set aside by Government.

Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) was introduced in 2013/14 by Welsh Government to provide financial assistance to help some residents pay their Council Tax. CTRS replaced the previous Council Tax benefit system. Welsh Government funding for the scheme does not increase year on year and therefore the annual increase in Council Tax 'benefits' payments we pay out is a pressure on the Council's budget. Over the medium term, this will cost the Council an estimated £0.952m.

Discretionary Housing Payments

Changes to the Government's Welfare Reform Programme have had a financial impact on some households. Discretionary Housing Payments (DHP) offer temporary support to people in difficulty. Over the last three years the Council has 'topped up' the DHP funds provided by Welsh Government to help the most vulnerable. In 2014/15 this cost the Council £0.053m. In 2015/16 there will be a reduction of £0.067m in the amount of funding the Council receives for DHP. The Council will be under pressure to make up any difference.

Impacts of Legislation and Case Law

New legislation such as the Social Services Bill, and Deprivation of Liberty Safeguards Case Law (DoLS), can affect the way services are to be provided and people's rights. Councils have to manage the financial impact of changes in the law as part of their budget often without any additional support from Government. Within the 2015/16 budget a pressure of £0.290m has had to be met for DoLS.

Independent Living Fund

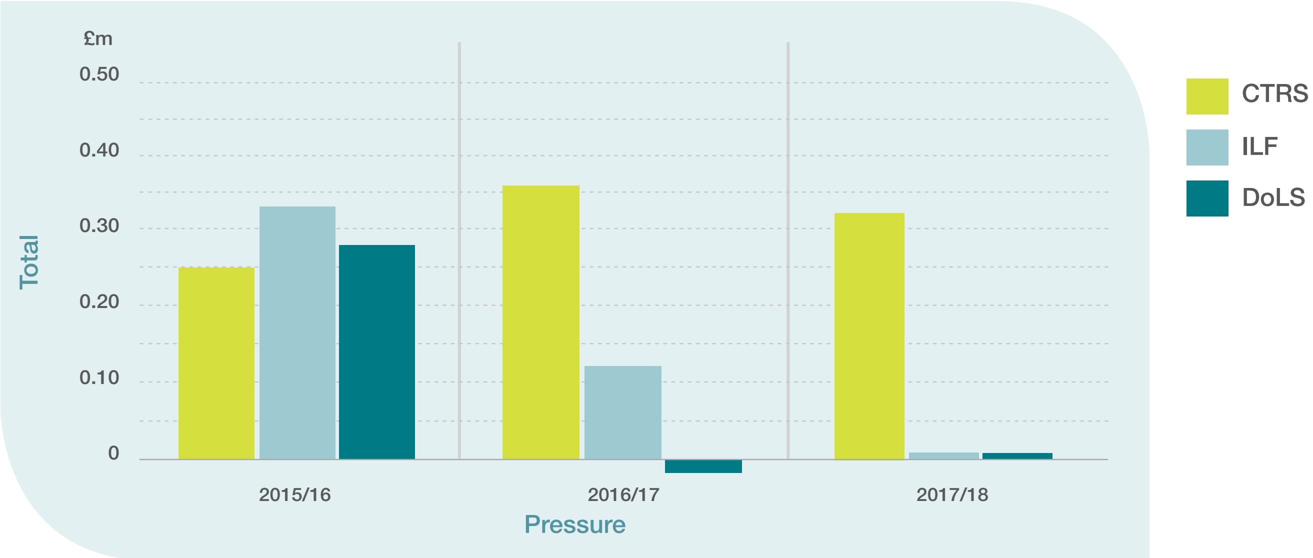
The Independent Living Fund (ILF) provides financial support to disabled people with significant care needs to help them live independently at home or in the community. The UK Government announced that the fund will close from June 2015 with the responsibility for financial support to be transferred to local authorities. The cost pressure for Flintshire County Council is estimated to be £0.338m in 2015/16 with an additonal pressure of £0.112m in 2016/17. Welsh Government have recently said that there may be some financial support to help Councils with the transition. At this stage we do not know what help we will receive, if any.

Reductions in Specific Grants

The Council relies on numerous specific grants which the Welsh Government allocate to directly fund services such as Education and Waste Management.

In recent financial years there have been some big reductions in these grants. The Council sometimes has to make up the difference for services to continue.

Table 2 - Specific Non Workforce National Pressures



Late notification of specific grant allocations by Welsh Government make financial planning challenging.

The risks to services from reductions in specific grants include:

- **Sustainable Waste Management Grant** - previous reductions in this grant had created a cumulative cost pressure of £0.308m by 2014/15. A further reduction in the grant for 2015/16 has been confirmed at £0.100m giving a total reduction to date of £0.408m.
- **Supporting People Grant** - there has been a sustained reduction in this grant since 2009/10 of £1.6m.
- **Education Improvement Grant** - Big changes to the education grant system from April 2015 have resulted in 11 grants being amalgamated into a single grant called Education Improvement Grant. The effect of these changes in 2015/16 is a reduction of 9.85% or £0.509m. From 2016/17 Welsh Government are planning to introduce a funding formula for this grant. The impacts of this next phase of change are unknown.
- **Post 16 Education Grant** - This grant was reduced in 2015/16 by 2.5% or £0.149m. Intelligence from Welsh Government suggests a further 5% cut in 2016/17.

The total impact of just the grant reductions shown above comes to £2.7m. Future grant reductions are unconfirmed at this stage and subject to change.

Workforce Costs

There are significant new workforce costs from national changes to Local Government and Teacher Pensions Schemes. These are covered in Section 4 - Workforce.

The total impact of known national pressures is £1.6m

2. Local Pressures

Local pressures come about from demands for services and other local circumstances. They are not funded by Government grant with the cost falling on the Council.

Current Local Pressures

Social Services: Transition to Adulthood

Each year a number of clients are expected to have ongoing social care needs as they transfer from children's services and become adults. The cost of care packages for each client is based on a careful assessment of their future care needs. In 2015/16 and 2016/17 the number of young clients transferring to Adult Social Care will be 16 and 14 respectively. This has led to a budget pressure of £1.239m in 2015/16, £0.923m in 2016/17 and £0.640m in 2017/18. We have a duty to meet their needs.

Extra Care

There will be annual revenue costs from the running of the new Extra Care Scheme in Flint which will become operational in 2017.

School Modernisation

This pressure is an estimate of the service 'exit' costs of teaching and other employees leaving our service as we change school provision and open the new Post 16 hub at Coleg Cambria, Deeside.

Landfill Tax

An increase in the rate per tonne we pay to take waste to landfill is an additional pressure. There is a statutory requirement to dispose of our waste. The Council is diverting as much waste as possible from landfill through increasing recycling and other forms of disposal.

Making Workforce Efficiencies

As part of the budget for 2015/16, a pressure was included to cover our changing savings targets for reducing the workforce set as part of the 2014/15 budget. Future workforce efficiencies are now being built into our business planning process. There are also cost pressures through releasing employees through redundancy and early retirement.

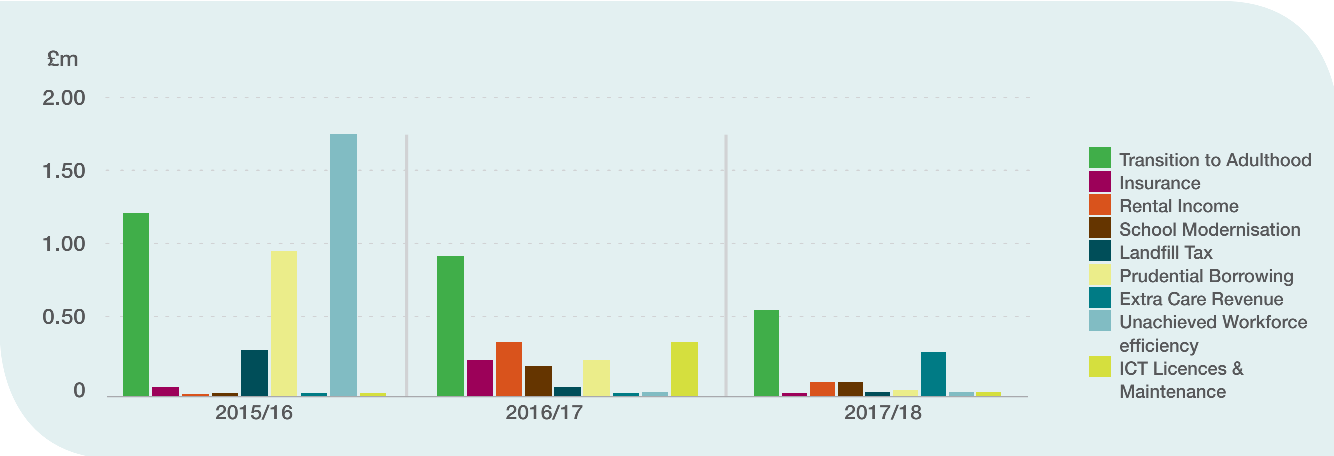
Prudential Borrowing

The Council has built up borrowing over the years to fund capital schemes. A review of our Central Loans and Investment Account will reprofile our borrowing. This ongoing review may create efficiencies or pressures. The Council is planning to increase its borrowing to pay for new capital schemes such as improving school buildings.

Internal Insurance Fund

The Council provides insurance cover for the risks it faces through a combination of purchased external insurance and self-insurance through our internal insurance fund. The adequacy of the internal fund has been assessed by our insurance brokers. There is a need to increase the funds to meet our risks.

Table 3 - Specific Non Workforce Local Pressures



September 2015

Information Technology

There is a new recurring pressure from our Microsoft Enterprise Licence agreement at an annual cost of £0.350m per annum from 2016/17. A further emerging pressure for software maintenance is for the iTrent (Human Resources) system from 2016/17.

Workforce Costs

There are significant new workforce costs from the introduction of the Local Single Status Agreement and the actuarial review of the Clwyd Pension Fund. These are covered in Section 4 - Workforce.

Emerging Local Pressures

Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) was the main insurer of the public sector prior to it closing its insurance business in 1992. A scheme is in place for any liabilities still outstanding from historic insurance with MMI. Any increase in claims arising from that period could impact on the levy to be paid by the Council.

Contaminated Land Strategy

The Council has a responsibility to ensure there is no public risk from former landfill sites. There is a need for the Council to assess if there is any need for remedial work on these sites.

Waste Management

The Council is exposed to risks including fluctuations in recycling income from sales of waste recyclates in the open market.

Economy

The Council is exposed to the risk of decreases in the income it relies on from fees and charges in services such as leisure and planning. These fluctuations can depend on the health of the economy.

The total impact of major local pressures is £9.9m

3. Inflation

Inflation is the rate at which the prices for goods and services are expected to rise. The inflation costs a council has to meet are not the same as those that households face. Even at times of low Retail Price Index (RPI) inflation councils can have big inflationary pressures. Flintshire County Council builds inflation into its annual budgets based on the latest market intelligence. Overall, income budgets include a 3% increase to meet inflation. This is based on recent trends in inflation. Within the annual funding 'settlement' the Council receives from Welsh Government no provision is made for inflation. This means that the Council has to find a way of meeting the costs of annual inflation from within its reducing resources.

Types of Inflation

Pay

Provision for nationally agreed pay awards is based on the latest information from our national negotiating bodies. Over the last three years pay inflation has been assumed at 1%, and included in the budget at this level until confirmation of each annual agreements has been received.

Prices

The current forecast for price inflation includes a 2% increase over all expenditure budgets, apart from what we call Non Standard Inflation. Budgets which are not exposed to normal price inflation, such as Benefits, are excluded.

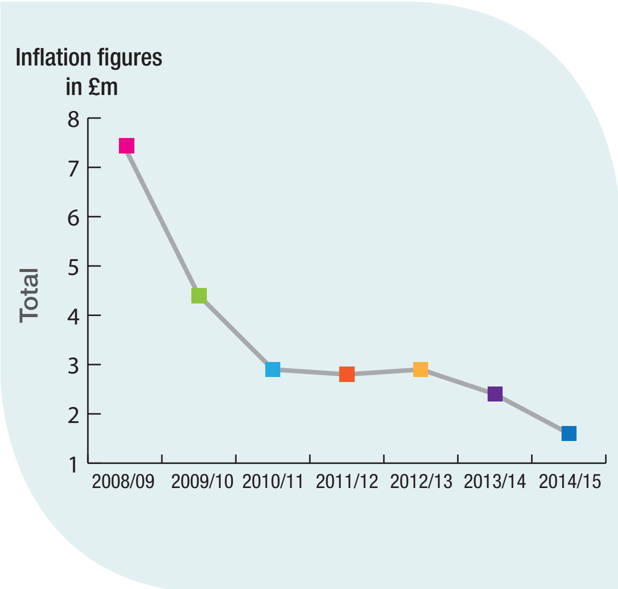
Over the last three years, service managers have had to absorb price inflation within their budgets, without any increase. Extra provision has only been made where there is an exceptional case. In 2015/16 this extra provision totalled £0.421m for exceptions such as increases in care fees where we commission residential care home places.

Non Standard Inflation

Non Standard Inflation provision is set aside to support services which are exposed to higher than normal annual inflationary pressures in buying fuel, energy and food supplies.

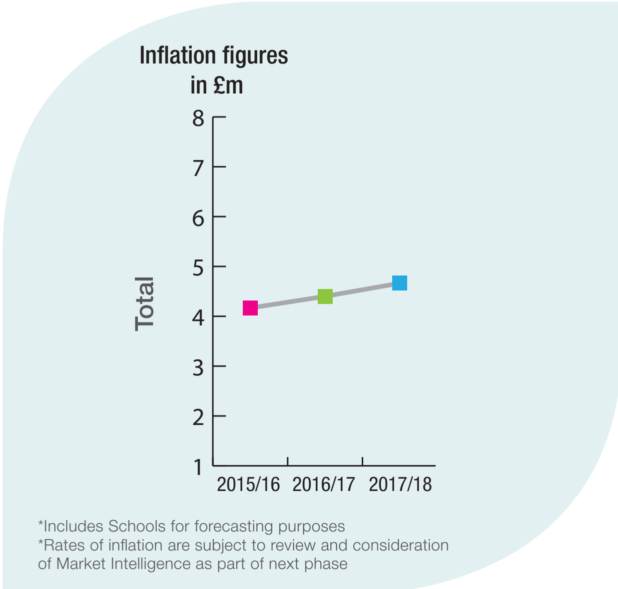
In recent years these rates of inflation have been volatile, for example, in the energy sector due to rising oil prices. More provision for inflation has been made in these areas in the last two financial

Table 4 - Historical Budgeted Inflation



Trend of inflation built into annual budgets.

Table 5 - Forecast within MTFS



Rates of inflation change over time and are under constant review by the Council.

years, (energy at 8%, fuel at 11.2% and food at 5.8%).

As part of the 2015/16 budget strategy the need to set aside any provision for Non Standard Inflation was reviewed. Specific market intelligence on energy (from Crown Commercial Services, UES Energy) shows that overall prices for gas and electricity were predicted to stay stable in 2015/16.

Market intelligence within the food markets (from Tuco Ltd, Procurement Partner) shows that some food groups may be subject to an increase of between 0.5% and 3%. Inflation on food was considered to be the area of greatest risk in 2015/16. Therefore an allocation of £0.064m was held within the budget.

The inflation risks and costs of energy, fuel and food are subject to many economic and other factors beyond our control. Market intelligence will be used with quarterly updates to help make this as accurate a forecast as possible.

Inflation on Income

In recent years income budgets have included a 3% increase to reflect the need to raise prices in line with costs. See Section 5 - Income.

The total amount of inflation forecast is £12.5m

4. Workforce

By far the biggest cost of managing a Council of our size is the cost of employing our workforce. Flintshire both employs people to provide services direct to communities and to customers, and commissions or contracts out other services. Where we commission or contract the Council is not the employer. We also employ people to provide essential internal support services such as Finance and Human Resources.

The costs of employing our workforce are rising due to a combination of national and local pressures including annual pay rises, pensions reform, and the Single Status Agreement.

Flintshire employs around 7,140 people in 8,206 roles. The total annual 'wage bill' in 2014/15 was in the region of £178m. The 'wage bill' is made up of salaries, employer pension contributions, employer national insurance contributions, and allowances and expenses.

The costs of employing people are rising. The costs pressures can be grouped as:-

- 'cost of living' pay rises
- low pay protection costs
- local pay settlements
- pensions

'Costs of Living' Pay Rises

Workers expect to receive an annual pay rise for their earnings to keep pace with inflation. These are commonly known as 'cost of living' pay awards and are negotiated nationally between representatives of the local government employers and the trade unions.

Following a period of imposed pay 'freezes', annual pay awards are again being granted by agreement. Annual pay awards are running at between 1-2% for most local government workers.

The cumulative impact of national pay awards for 2015/16-2017/18 is shown in Table 6.

Table 6 - Pay Awards Impact

2015/16 £m	2016/17 £m	2017/18 £m	Total £m
1.804	1.690	1.707	5.201

Low Pay Protection Costs

Workers are protected from being low paid through the setting of a national minimum wage. The lowest levels of pay in local government are above the national minimum wage. The minimum wage is £6.50 per hour rising to £6.70 per hour on 1 October 2015. Flintshire's lowest hourly pay rate is currently £7.189 per hour. Whilst there are no immediate pay pressures here for the Council as it meets its legal obligations, this might change over time.

There is pressure from Trade Unions, some political parties and lobby groups for employers to adopt the Living Wage. The Living Wage is argued to be a more realistic amount for people to live on and is set at a higher rate than the Minimum Wage at £6.50 per hour. Whilst Flintshire has gone some way to preventing low pay and has implemented a pay structure where the lowest pay grade 'tops out' near to the Living Wage, we have not as an employer set it as a minimum. If we were to do so this would present a new cost pressure. Just under 1,300 employees (including relief workers) are currently paid beneath the Living Wage.

Local Pay Settlements

Local authorities have obligations to ensure that they pay all employees fairly with equality of treatment for women and men. These obligations come from important national agreements and the equal pay legislation. Reviewing local pay arrangements to ensure that there is equality of treatment is a complex and time-consuming exercise. Like many other local authorities Flintshire has now reached a Single Status Agreement to achieve this. Under our Agreement we have introduced a new pay and grading model. Single Status Agreements have in every single case around the country added cost to the 'wage bill'. Whilst some employees will gain on pay, some will stay the same, and some will lose on pay, a significant majority will have to gain or stay the same to successfully achieve agreement through negotiations between employer and trade unions and then through a workforce ballot. Therefore, there will be a total increase in pay costs across the board under these types of Agreements.

Some years ago the Welsh Government made extra provision in the base financial settlement for local government to support the costs of introducing Single Status Agreements in the knowledge that they would inflate workforce costs. Whilst providing this support was a visionary step towards ending unequal pay between women and men, the provision set aside was not enough to meet the inflationary impact in full. Councils have to make up the shortfall themselves.

Flintshire's Single Status Agreement was introduced in 2014. The inflationary impacts for the first two years have been 'buffered' or cancelled out through the use of financial reserves. The Agreement will impact on the budget from June 2016. The annual cost of the wage bill will rise for several years as some employees who have entered a new pay grade work their way up through the annual pay increments until they reach the top of their grade. At this point the wage bill will 'peak'.

The impacts of the Single Status Agreement are shown in table 7 below. The impacts shown are net of the annual

Table 7 - Single Status Impact

2015/16 £m	2016/17 £m	2017/18 £m	Total £m
0.000	3.774	1.726	5.500

provision with the national financial settlement of £4.3m. The forecasted impacts reported to Council in October 2013, when adopting the Single Status Agreement, were greater; they have been significantly reduced through the ongoing programme of reducing the scale of the workforce through voluntary redundancies and retirements.

Local Government Pension Scheme

Local government employees (other than teachers, police and firefighters) are entitled to be members of the local government pension scheme. The pension scheme is a funded one where both employers and employees contribute to the costs of building their 'pension pot' for their eventual retirement. The monies are invested into the Clwyd Pension Fund for capital gain and income to pay pension liabilities both now and into the future.

Public service pension schemes are being reformed to help financial sustainability. For the local government pension scheme the new CARE (Career Average) scheme replaced the final salary scheme from 1st April 2014. At a national level the Government have reviewed how the pension provision is shared more fairly between employees and scheme employers, if costs continue to increase. This may result in a change to employee contributions or scheme benefits in the future.

The employer contribution for the Council is set by the Fund Actuary every three years. The last actuarial valuation date was 31 March 2013 which provided both future service cost contributions and deficit payments for 2014/15, 2015/16 and 2016/17. The future Flintshire rate is a percentage of pensionable pay and will vary. At the last actuarial valuation the employer contribution rate was set as 12.2% (2014/15), 13.2% (2015/16) and 13.9% (2016/17),

At the last Actuarial Valuation the Council had a pension deficit of £197m. The Council has a deficit recovery plan of 19 years and the agreed payments are £9.185m (2014/15), £9.490m (2015/16) and £9.985m (2016/17).

The pension contributions to be made to the Clwyd Pension Fund by Flintshire as an employer were in the region of £10.2m.

For the third and final year of this MTFS it is more difficult to estimate pension costs. Despite strong asset returns on investments of +16% in 2014/15, the funding level of the Fund has fallen by 5%. The Council's deficit has therefore increased. This is due to lower than estimated long term interest rates. The Actuary of the Clwyd Pension Fund will undertake a funding review this year which may assist all employers in the Fund with their future financial plans, ahead of the next Actuarial Valuation.

Pensions Performance: the most recent actuarial review in 2013/14 reset employer contributions for the period 2014/15 - 2016/17. The inflationary impacts are shown in table 8 below.

Pensions Reform: a number of recent pensions reforms are causing inflationary pressure. Under a change called the Single Pension Scheme local government pension schemes will no longer qualify for a rebate for national insurance contributions made towards the additional State Pension known as the Second Pension. This change will increase National Insurance employer contributions by 3.4% from April 2016. The inflationary impacts are shown in table 8 below. Employee national insurance contributions will also increase.

Under a change called Automatic Enrolment, access to pension provision in a qualifying pension scheme had to be made available to all new employees from 1 October 2012. For all existing employees who had previously deferred entry or opted out of the Clwyd Pension Fund, a transitional period to October 2017 applies. At this time, any remaining employees would be automatically enrolled into the Clwyd Pension Fund. This will be at a cost to the Council. It is not expected that all employees with deferred Fund entry will choose to stay in the Pension Fund at 2017, but a proportion will. The predicted inflationary impacts are also shown in table 8 below.

Teachers' Pension Scheme

The Teachers' Pension Scheme is a central government controlled Public Service Pension Scheme that, unlike the LGPS, is unfunded. The contributions are set by Central Government. Under pensions reform the employer contributions for teachers' pensions are to be increased from 2016. The inflationary impacts are also shown in table 8 below.

Table 8 - Cost of Pensions to the Council as the Employer

Pressure	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Actuarial Review	1.747	1.504	1.300	4.551
Single Pension Scheme	0	2.787	0	2.787
Auto Enrolment	0	0	0.625	0.625
Teachers' Pension Increase	0	1.364	0	1.364
Total	**1.747**	**5.655**	**1.925**	**9.327**

The total amount of workforce pressures is £15.6m (excluding inflation)

5. Income

The Council is funded from two main sources - the Revenue Support Grant and Council Tax. The Revenue Support Grant (RSG) awarded by Welsh Government makes up 65% of the total income of the Council with Council Tax contributing 22%. The remainder is made up from specific government grants and income from fees and charges. RSG is reducing year on year. UK Government fiscal plans show a continuation of reductions in the medium term. Setting Council Tax is a continual challenge in the current financial situation. Other income generating opportunities can be constrained by Welsh Government controls and economic factors. It can be difficult to balance increased charges to recover costs, with affordability and collectability from clients and customers.

Revenue Support Grant (RSG)

The Council received a reduction in its RSG of 3.4% in 2015/16 equal to £6.6m. Welsh Government has not given any firm indication of the level of RSG funding for future years. Continuing reductions are expected and we are assuming reductions in RSG of 3.5% per year for the next two years in this strategy.

Over the medium term of this forecast this could mean a total £19.4m reduction in RSG funding.

Section 1 - National Pressures highlights the significant reductions in specific grants which are added to the reduction in RSG in arriving at a complete forecast for this three year period.

Council Tax and Business Rates

The Council collects the Council Tax from local residents and the 'Business Rates' from local businesses.

The level of Council Tax is set annually and is paid by local residents to help finance the Council's overall budget (£60m in 2015/16).

The Council collects the local 'business rates' on behalf of Welsh Government. This is then paid into a national pool and redistributed to councils as part of the annual financial settlement. The Council expects to collect in the region of £63m in 2015/16. Of the collected amount the Council only retains £51m with the rest going into the national funding system.

As part of the budget for 2015/16 the Council agreed to set the increase on Council Tax at 3.75%. This is at a higher level than the 3% set in previous budget years. This extra rise was needed due to the challenging financial position faced by the Council as set out in this strategy.

The level of Council Tax for future years will be a democratic decision of the Council. For the purposes of this plan an annual increase of 3% has been built in for 2016/17 and for 2017/18. This would provide an additional £2.1m of income per year. In setting the Council Tax the Council has to balance the financial needs of the organisation to maintain its services with the affordability of Council Tax for local residents.

Fees and Charges

In 2014/15 the Council generated £25m from fees and charges. The Council is developing a more wide ranging Income Strategy to help increase overall income to cope with the financial challenges it is facing. This work builds on earlier work to develop a single and consistent fees and charges policy with transparency in the setting of its fees and charges.

Existing fees and charges are, wherever possible, increased annually by 3% to meet the costs of inflation. However there are restrictions on the levels of income councils can charge for some services e.g. homecare services.

The budget strategy for 2015/16 was based on fundamental three year business plan reviews across all Council service portfolios. Within these plans were proposals for increasing income including:-

- maximisation of external funding
- increase in joint funding from Health
- Public Protection fee increases to reflect cost
- review of car parking charges
- increased charging for some services

These reviews led to an increase in budgeted income across portfolios of £2.3m in 2015/16.

For 2016/17 and 2017/18, the Council will need to develop its income policy and identify new opportunities for income to help bridge the gap from the reduction in national funding.

Income Dependency

The Council is dependent on being able to generate income to fund some of its core services. For example, Leisure Services relies on £6m from income, mainly from its customers, whilst Facilities Services (Cleaning and Catering) relies on £3m from external income. In Catering the strategy for fees and charges needs to consider the impact of charging to avoid turning customers away.

Constraints on Charging Policy

In recent years, Welsh Government have introduced measures such as the First Steps Improvement Package which introduced a then cap of £50 per week on the amount that Local Authorities could charge for Domiciliary Care. This led to a loss of income to Flintshire County Council of £0.426m in 2011/12 and has limited the Council's ability to increase income for future years.

Reviews of these national constraints are needed to give councils the freedom to recover more income to subsidise some of the services it provides.

The impact of reductions in Revenue Support Grant is £19.4m offset by increase in Council Tax income of £6.2m

6. Total Impacts

The total impact of known national pressures is £1.6m

The total impact of major local pressures is £9.9m

The total amount of inflation forecast is £12.5m

The total amount of workforce pressures is £15.6m (excluding inflation)

The impact of reductions in Revenue Support Grant is £19.4m offset by increase in Council Tax income of £6.2m

Total impact is £ 52.8m

Medium Term Financial Strategy

Part 2 - September 2015

Meeting the Financial Challenge

2015 - 2018

CYNGOR Sir y Fflint Flintshire COUNTY COUNCIL

Introduction

The second part of the Medium Term Financial Strategy (MTFS) sets out how the Council plans to meet the challenge of the financial forecast set out in the first part of the strategy.

In the first part of the MTFS we illustrated a forecast for the resources the Council will have available for the three year period 2015/16-2017/18. This forecast is based on the latest and most reliable available intelligence.

This second part of the MTFS builds on the work of recent years for the Council to be a modern, cost-efficient and high performing organisation providing resilient local public services which can be sustained in future years in the face of considerable funding pressures.

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1. Sizing the Challenge

Councils are highly dependent on annual grant funding from Government to resource the local services we provide to local communities. As set out in Part 1 of the Strategy *Forecasting the Challenge* our resources are being reduced, year on year, through big reductions in these grants. The Council also has to meet cost pressures such as inflation and the demands of local people for services, with less money at our disposal. We forecast a 'gap' of £52.8m in the resources of the Council over the three year period 2015/16-2017/18. A forecast is simply a type of prediction. Whilst based on the latest and most reliable available intelligence a forecast cannot be guaranteed to work out as assumed, and the actual funding position for the Council could become better or worse over time.

Part 1 of the Strategy *Forecasting the Challenge* forecasts a cumulative and real impact reduction in resources available to the Council of £52.8m over the three year period. As Part 1 says "our resources are being reduced year on year, through big reductions in the grants we depend on from Government. We also then have to meet cost pressures, such as inflation, with less money at our disposal. Inflation, rises in demand for critical services, and the cost of legal obligations placed upon us, such as pensions reform, all place a strain on our reducing budget".

In the 'annual settlement' where Government decides how much funding to set aside for local government, provision was once made for inflation and other pressures with councils being funded to meet them. This is no longer the case with councils now facing a double pressure of an actual reduction in their annual grant on the one side, and no financial protection for the extra things they have to fund on the other.

This is why the annual targets for budget reductions, or funding 'gaps' to be bridged, come out so high.

For Flintshire the annual 'gaps' as set out in Table 1 are £18.3m for 2015/16, £20.8m for 2016/17 and £13.7m for 2017/18.

A cumulative funding gap of over £50m against a net budget of around £250m is challenge enough for any council. The challenge is made both more complicated and more daunting by two factors - the unpredictability of specific levels of funding for local government, and the number of years for which the public sector will have to endure repeat and compounding reductions in Government grant.

The unpredictability comes from the absence of a medium term Government plan which sets out, with a reasonable level of certainty, the resources which will be allocated for local government and, in turn, to each individual council. In *A Shared Commitment: Local Government and the Spending Review* published in June 2015 the Local Government Association (LGA) calls for adequate and fair funding for the public services. The LGA and the Welsh Local Government Association (WLGA) have long been pressing for medium term financial settlements which would allow councils to plan ahead. Likewise, the Independent

Table 1 - Summary of forecasting position 2015 - 2018

Expenditure	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
National Pressures	0.9	0.4	0.3	1.6
Local Pressures	6.2	2.5	1.2	9.9
Inflation	4.1	4.1	4.3	12.5
Workforce Pressures	2.5	9.4	3.7	15.6
Income				
Reduction in Revenue Support Grant (3.5%)	6.6	6.5	6.3	19.4
Council Tax Increase (3%)	(2.0)	(2.1)	(2.1)	(6.2)
Projected Gap	**18.3**	**20.8**	**13.7**	**52.8**

Commission on Local Government Finance in Financing English Devolution has called for the new UK Government to 'commit to full and clear multi-year settlements to enable effective long-term planning for local authorities and other public sector services'. In the absence of Government taking a lead with resilient longer-term planning how can councils be expected to 'plan ahead and make better-informed decisions' in strategic planning as suggested by the Wales Audit Office in its publication *Meeting the Financial Challenges Facing Local Government in Wales*?

The daunting challenge comes from the fiscal plans of the UK Government to rebalance national debt as a key feature of its economic policy. The repeated annual reductions in national public spending can be expected to continue for the remainder of the decade based on Government policy and the evaluation of its impacts by reputable commenters such as the Institute for Fiscal Studies. Local Government in England has not had the protection of relative shielding from public spending cuts as have some other public services, such as the NHS, a development which is now being mirrored in Wales with local government being given less priority.

As explored in Chapter 4 local government in Wales has a higher dependence on Government grant than its peer group in England. This exposes councils in Wales to a greater level of threat of resource reduction in the absence of parallel freedoms and flexibilities such as the retention of additional National Non Domestic Rate (NNDR) or 'business rates' income through successful strategies for promoting local business growth.

The accuracy of the forecast set out for Flintshire will be determined by a number of factors. Government decisions on funding, trends in inflation, national employment policy and pay trends, and pressures on services through demographic change and Government policy, will all come into the mix.

The forecast set out in Part 1 of the MTFS will be regularly reviewed and updated for Council plans to be reviewed and re-set.

2. Flintshire: An Efficient and Innovative Council

All public sector organisations should be expected to be efficient, channelling as much of their resources as possible into services to local communities, and keeping their overhead and administrative costs to a minimum. Equally, all organisations should be innovative in finding new solutions to protect and develop their services with fewer and fewer resources. Flintshire prides itself on being an efficient and innovative council. Whilst there is always more that can be done, we have done much already. As each year of finding efficiencies to bridge the budget gap passes by the scope to find new efficiencies narrows. It is important that we demonstrate to our communities, Government, our regulators and ourselves, what we have done and what we plan to do to indeed be efficient and innovative.

Councils are, by law, required to set a balanced budget for each financial year and cannot 'carry' ongoing and unfunded deficits. Flintshire has a successful track record of prudent financial planning whilst meeting its legal obligations, and of having its annual accounts passed by its external auditors, year on year, without qualification.

For many years councils have had to find annual efficiencies and savings to balance up their budgets. In recent years the scale of the annual efficiency and savings targets required have risen to levels which have taken councils into uncharted territory.

Flintshire has achieved close to £60m of efficiencies and savings in the mainstream or 'Council Fund' expenditure over the past eight financial years from 2008/09 to now. In earlier years these budget changes were often made to reinvest money from one service in another to support the priorities the Council saw as important. In more recent years budget changes have been made to fund the annual budget 'gap' caused by the national reductions in local government finance described in Chapter 1. The fact that the last two financial years of 2014/15 and 2015/16 account for nearly £25m or 42% of this total figure, shows how the funding position for Flintshire is deteriorating.

It is helpful to avoid using jargon in presenting this picture of Flintshire's recent history. When public organisations use the term efficiency they actually mean a number of budgeting changes which, taken together, fall under this generic term. In our case the term combines the following:-

- Reducing the overall costs of individual services through reviewing the way they are organised and making them more efficient as business operations
- Smarter procurement or 'buying' and 'contracting'
- Reducing basic costs in the way the organisation works for example its processing systems
- Reducing senior management and administration costs
- Reducing the size and cost of the workforce
- Raising more income through fees and charges for services

Table 2 - Council Annual Efficiency Targets 2008/09 - 2015/16

Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Budget	226.419	233.335	240.408	239.896	241.203	258.825	253.718	249.979
Target £	5.654	3.803	6.151	8.920	4.716	5.331	11.950	12.874
Target %	2.50	1.63	2.56	3.72	1.95	2.06	4.70	5.15

Throughout the document we use the term efficiencies and savings to mean all of these things brought together under one easy to use heading.

If a tax payer were to say ‘prove to me that the Council is efficient’ then a good answer would involve showing the volume and quality of a service against the amount of money spent on it. To take the answer further the respondent would show how well the council was performing in this ‘value for money’ assessment against comparable councils providing the same types of services. Therefore, it is important to show how well Flintshire is performing, not just how cost efficient it might be to live up to the ‘tag’ of being an ‘efficient and innovative council’.

Comparators of our performance in our peer group of local councils are used in Chapter 3 where we explore how well funded the council actually is.

In this Chapter we demonstrate how cost efficient the council is against the benchmark of having to achieve increasingly large targets of efficiencies and savings to bridge the annual funding ‘gap’ through being innovative.

In recent years the Council has been highly innovative. The following are some big examples of this:-

- Reducing senior management posts and their support by nearly 50%
- Reducing ‘middle’ management by between 25-30%
- Reducing administration and clerical positions by over 40%
- All services being on track to achieve 30% cost reduction targets (except education and social care)
- Large scale voluntary redundancy programmes for non-teaching employees.
- Reduction in non-school based employees of 6% over the past 12 months alone
- Sharing buildings by co-locating with partners including North Wales Police, Job Centre Plus and Coleg Cambria
- Reducing office accommodation by 16% through smarter ways of working
- Procuring or bulk buying with other councils to get a better deal e.g. computer hardware
- Integrating services with other councils in the region to share costs e.g. education
- Trading with other councils in services to share costs e.g. Occupational Health
- Stopping trading in services where the market performs better, for example trade waste
- Inviting local communities to take on treasured local buildings and facilities through ‘community asset transfer’
- Moving a number of services away from direct Council provision and into new ‘alternative delivery models’ and reducing their level of public ‘subsidy’ as a result

Recent ground breaking work shows how the Council is being innovative to do things differently. These include setting up a new wholly Council owned Trading Company “New Homes” to help provide homes for local people; the SHARP programme (Strategic Housing and Regeneration Programme) to build new Council and affordable housing; switching social services for adults with mental health issues and learning disabilities to a new social enterprise, called “Double Click”, to protect them for the future.

The opportunities for such innovations are diminishing; the opportunities to save money are diminishing with them.

3. Flintshire: A Low Funded Council

Councils in Wales are funded by Welsh Government through a mechanism called the Local Government Funding Formula. Within this formula a calculation or benchmark of what each council needs called the Standard Spending Assessment (SSA) is included. The SSA is based on factors including demography, population change and deprivation. Whilst being a theoretical calculation the SSA is significant in determining how much of the share of public funds set aside for local government in Wales comes to Flintshire. For Flintshire some 65% of our annual funding comes from Welsh Government through the formula. The Local Government Funding formula is complex and theoretical. Whilst it can be argued that the formula distributes the available funds fairly across twenty-two local authorities according to need, the formula was not designed for a situation where the total amount of funding being pass-ported through it was in sharp decline.

The formula works on theoretical indices of need; it does not take into account the cost base of services as provided in each county in real life. Counties like Flintshire will have needs which are not sufficiently recognised in a technical formula which makes no provision for flexibility and exceptions.

Flintshire, for example, is a semi-rural county with a number of equally sized county towns where communities need localised services. The Council therefore has to manage a network of dispersed services for example schools, leisure centres, libraries and household recycling centres. The point will come when the amount counties receive though the formula is simply insufficient to maintain services in a way which is similar to current configurations. This means that local services will face major upheaval as the current pattern cannot be maintained. The cost of running a secondary school efficiently from one council to the next, or that of a principal leisure centre is similar regardless of factors such as rurality and deprivation. The amount of Government grant we are now receiving is no longer sufficient to maintain local services to the levels to which local communities are accustomed. So for councils with low funding it becomes a question of how many schools or leisure centres a council can afford to keep open and run, and not one of how efficient they can be one by one.

Flintshire has come 19th out of the 22 councils for the amount of Government funding it receives through the formula per head of population in each of the last two years. The Wales Audit Office (WAO) noted in its most recent Annual Improvement Report that in 2014/15 gross expenditure in Flintshire was £2,064 per head, lower than in 2011/12, whilst the average across Wales had risen from £2,250 to £2,312 per head for the same period. WAO calculated that our gross expenditure had fallen by some 7% over the past three years against a Welsh average of 3%. This analysis demonstrates that Flintshire is a low funded council through the formula. With such low funding the scope for making savings and efficiencies, whilst trying to maintain services in ways which support and serve local communities, is very constrained.

To explore and demonstrate whether Flintshire is indeed a low funded council we engaged The

Chartered Institute of Finance and Accountancy (CIPFA) to provide advice. CIPFA tested the presumption that Flintshire is 'a low funded council in Wales with less flexibility and capability to find sufficient efficiencies under the current funding system and formula'. The work was conducted using existing data sets and information and with no new empirical research. The work looked at spend and performance in education and social services as the two main areas of council spending, and also in highways as a third area as one of the priorities of the Council and one of keen public interest.

The report of CIPFA concludes that 'based on the research that we have carried out using nationally published data sets we can form a number of tentative conclusions. We can conclude that:-

- Flintshire is a low spending authority on both Social Care and Education;
- Flintshire achieves a relatively high level of performance on both of these services despite the low level of expenditure;
- Flintshire spends at an above average level on highways;
- Flintshire achieves the highest level of performance in Wales on the performance measure of roads in poor condition.'

The report goes on to recognise that Flintshire has a comparatively lower percentage of elderly people amongst the local population as a demographic, and a lower percentage of children in 'care'. It also recognises that the County has comparatively lower levels of deprivation under the Wales Index of Multiple Deprivation (WIMD). The report also notes that the County has a large volume of daily road traffic compared to other Welsh counties.

The CIPFA analysis demonstrates that Flintshire is a low funded and a high performing council in its two principal service areas, and is both a higher spender and a higher performer than the average in highways.

CIPFA then go on to note that from the Council's own statistics on demand 'there appears to be:-

- a declining birth rate that could lead to a lower demand for school places, although this could also have an adverse effect on unit costs and the funding formula;
- an increasing demand for services for the elderly;
- a deteriorating condition of the highways and footpaths network due to lower spending under the County's preventative approach to maintenance.'

It should be added to the above that Flintshire has experienced unprecedented rises in levels of demand for Children's Services in the past two years and has had to make extra investment in this highly sensitive area of social services to cope.

In confirming that Flintshire has 'a low Standard Spending Assessment (SSA) due to the demand statistics in the calculation formula and a low level of Aggregate External Finance (AEF)' the independent analysis highlights that Flintshire receives lower funding under the current system. Why does this matter? If education and social care account for two thirds of the Council's expenditure, and we already spend relatively lowly on them - on spend per pupil in schools and on spend per head of the adult population for social care - then there is inevitably limited scope to be more cost efficient. Given that Flintshire performs highly in both service areas then any significant reduction in spend will directly impact on performance to the detriment to pupils and students, and local people in need of care support. Whilst there may appear to be scope for a reduction in spend on highways maintenance, any such reduction will impact on the quality of local roads people use. Flintshire roads may be the best maintained in Wales but the condition of our roads is declining.

The CIPFA report concludes as follow. 'Overall, we may conclude that, although the County has a low level of funding and expenditure, it is able to achieve a generally high level of performance. The low level of funding appears to be due to a low level of demand for services which is reflected in the SSA calculation. Where demand for a service is high, in the case of Transport, the County is a higher spender and is able to achieve the highest level of performance. This may lead to the conclusion that with additional funding and a higher level of expenditure the County could increase its current level of performance in other services. However, the spending on highways looks set to fall under the County's preventative approach to maintenance.

Notwithstanding this conclusion we have been made aware of a number of local factors that impact on the County's ability to deliver services and which have little or no impact on the funding formula. Although we have not attempted to verify or quantify the impact as part of this review the key points to consider include:-

- the County has a large business base impacting, for example, on infrastructure investment and planning and public protection services and this is not included in the funding formula;
- the formula makes no recognition of historic and current patterns of local provision according to community need and county conurbations;
- the County's geographical positioning with England, in the context of its highway infrastructure and *Gateway to Wales* position leads to high volumes of traffic both in and out of the County.'

The CIPFA report closes with the final critical point that 'the County's Medium Term Financial Strategy does not at this stage show a balanced position and the fact that it is making a national case for funding relief could be interpreted as suggesting that the County has reached the stage where it is no longer viable'.

This stark conclusion to the analysis does point to the risk of the Council being financially unsustainable as a unit under the current funding formula on which we rely for close to three quarters of our funding. This underpins the rationale for our three part strategy.

How We Perform

In 2014/15 Flintshire achieved better than the Welsh average in 62% of the national performance indicators councils use and was in the top three performers in 20% of these indicators

Our highlights:

- **the highest number of young people engaged in education, employment or training for the last 3 years**
- **educational attainment - GCSE level for first language English or Welsh - ranked as top for the last 3 years**
- **consistently high school attendance - 1st or 2nd position over the past 3 years**
- **care plans for Social Services clients been produced on time; the top performer for 2 years**
- **the best condition of roads for the last 3 years**

The National Public Survey shows that the Council is ranked 2nd in Wales for providing good quality services according to the views of residents.

4. Flintshire: Our Funding Strategy

The Council funding strategy has three parts - service reform, corporate financial stewardship and working with Welsh Government. The first two parts are based on local reform and choice. The third is based on choice and decision-making by and within Welsh Government. The three parts are inter-dependent. For the strategy to succeed, progress will need to be made in each of the three parts.

As has been demonstrated in Chapter 2 Flintshire is an efficient and innovative council. As has been demonstrated in Chapter 3 Flintshire is a low funded council. Taken together these chapters show that as a council with a relatively low resource base we have few opportunities left for bridging the funding 'gap' through local innovation, without resorting to further and deeper service reforms, cuts and even closures of a scale unprecedented in North East Wales.

The three part strategy is based on the reality that councils and other public bodies are part of a wider system of public sector funding. Whilst councils should be expected and be challenged to be efficient and innovative, and make local choices to reduce their costs to contribute to making best use of public funding as part of the UK 'austerity programme', they cannot act alone and governments need to share in the responsibility.

In a funding system where councils in Wales depend on Government grant for up to 75% of their annual revenue funding for mainstream council services, with a sizeable proportion of it ring-fenced for specific services through the specific grants system, their capacity to act flexibly with their resources is constrained. In Part 1 of the MTFS we explain how national changes introduced by government, whether at a UK or Wales level, for example social policies or new legislation, can bring in new financial pressures on councils as the providers of services direct to the public. If governments desire social or legal change then they have a duty to carefully consider the resourcing consequences; otherwise, the budgets for existing local services will inevitably be placed under increasing strain.

Under part one of the funding strategy the Council takes responsibility for continuing to reform and modernise local services through its three year service 'portfolio' business plans. All services and corporate support services, with the exception of education and social care, have 30% cost reduction targets to achieve. Under part two the Council takes responsibility for the prudent use of corporate finances for example absorbing the costs of inflation, raising income, and managing workforce costs. Under part three we set out realistic expectations of Welsh Government as our principal funder.

4a. Funding Strategy Part 1: Service Reform

Council services are organised into portfolios or groups. Year on year each chief officer, who leads a portfolio, is asked to find efficiencies and savings to help balance the total Council budget. These savings are found through bigger actions such as making changes to how services are organised and delivered to local communities, through to smaller actions such as cutting out unnecessary expenditure and wastage. More recently this work has broadened into more challenging work such as reducing service provision, charging for services, and reducing the size of the workforce. All services, other than Education and Social Services, have been given a target of reducing their costs by at least 30% over this three year period. The total savings target services are working to is £28.2m over the three year period.

Council Service Portfolios

The Council has grouped its services into eight portfolios for the purpose of organisation and management. In doing this the organisation went through a major upheaval in 2015 to introduce a new operating model - or way of working - with a streamlined and closer working team of chief officers. Each chief officer is responsible for one of the portfolios. A major task for each of the new chief officers has been to develop a three year business plan for their group of services for the period 2015/16-2017/18.

Portfolio Business Planning

The new business plans for each service portfolio take the Council to levels of challenge and planning which are unprecedented. Services have always worked to business plans. The motivation for this new approach was twofold: to make significant reductions in operating costs in response to the financial challenge of major reductions in Government grant income to the Council, and to modernise and improve the organisation to new levels of ambition and excellence.

The new business plans fundamentally review:-

- the purpose, priorities and the performance of the service group
- the costs of the services both in themselves and compared to other councils
- income levels and the potential for income growth
- the management and administrative structures and costs of the services
- the service model and whether an alternative model would be a better option for the future
- the future sizing and allocation of budgets based on the above

The business plans have to balance the achievement of Council priorities, for example those set out in the Improvement Plan, and the duties to meet statutory, contractual and other obligations, in addition to presenting options for saving money. The plans do take the Council into examination of whether some services are core business or even needed at all, whether we should do things differently, whether we are achieving value for money in providing quality at reasonable cost, and how customers should be expected to contribute through paying fees and charges.

Table 3 - Business Plan Efficiency Targets 2015/16 - 2017/18

Portfolio	2015/16 £m	2016/17 £m	2017/18 £m
Planning and Environment	0.941	0.422	0.255
Streetscene and Transportation	2.570	2.590	3.405
Social Care	2.068	0.788	1.984
Education and Youth	1.459	0.382	1.520
Community and Enterprise	1.565	1.209	0.787
People and Resources	0.385	0.385	0.730
Governance	0.248	0.315	0.725
Organisational Change	1.306	1.272	0.902
Business Plan Efficiency Totals	**10.541**	**7.363**	**10.308**

Setting Budget Targets

All service portfolios have been set a 'working' target of achieving a 30% efficiency in their total budget allocation over the three year period to 2017/18 as a contribution to the Council's total funding 'gap'. There are two exceptions – Education and Social Care.

Referring back to Chapter 2 and the Council's track record in achieving some £46.5m efficiencies and savings in the seven years leading up to the introduction of the new style business plans, it needs to be recognised that some services have already achieved significant savings in past years. Where this has been the case, the scope for achieving further efficiencies for this next three year period will inevitably be less.

The 30% is set defined as a 'working' target as a guide to stimulate challenging thinking and review. For some services achieving a full 30% might not be possible, for others it may be possible to exceed the target. The setting of working targets for each portfolio does not prevent the Council from setting priorities across the portfolios according to its overall aims. In other words the Council may choose to lower or raise the target for a given portfolio according to how its wishes to prioritise certain important services above others. This is why the chief officers work as a collective to advise councillors, as the decision-makers, under our corporate operating model.

Education and Social Care are expected to achieve efficiencies and savings too but not to the same extent. Both are highly regulated services, which are demand-led, and where much of the expenditure is essential to meet our statutory obligations.

Over 80% of the budgets for the Education and Youth portfolio are delegated to schools. Whilst schools are expected to contribute a 30% efficiency target is unrealistic. The amount to be invested in schools as a group through the Schools Funding Formula is explored in Chapter 4b. The core part of the 'local education authority' where specialist management and support services for schools are held back within the Council, and where other services such as the Youth Service sit, have also been set a 30% efficiency target.

The large majority of the Social Care budget is spent on providing or buying care and support services for vulnerable people based on the assessment of their needs. The costs of providing residential care for the elderly, and other vulnerable groups, accounts for over a third of its budget alone. The demands on social care are growing year on year, through an aging and changing society with more complex recognised needs, a trend which further limits the potential to make budget reductions.

Education and Social Care account for just under two thirds of the Council's net budget - so the limitations on being able to save money in these two big service areas in turn limits the capacity of the whole Council to make savings to bridge the projected budget 'gap'.

For 2015-16 the combined total of the efficiencies and savings from the business plans is £10.541m. This total is built into the annual budget. Whilst the Council has a good track record in achieving planned efficiency targets within the financial year for which they have been set, there will inevitably be a 'failure rate' as circumstances change or plans cannot be realised. In 2014/15 the Council was successful in achieving 87% of the efficiencies it had set out at the beginning of the financial year. Detail on the levels of confidence in achieving the pre-set efficiencies is reported monthly in our in-year budget monitoring reports. Where efficiencies are not achieved, as planned, other solutions must be found to balance up the annual budget by the close of the financial year.

The planned business plan efficiency and saving targets set for 2015/16, the outline proposals under consideration for 2016/17, and the long-list options for 2017/18 are summarised, by portfolio, in Table 3. These plans are far reaching and challenging.

The Council has long been a positive collaborator, working with other councils and partners in the region to work together to share costs and people in the provision of services such as social services, education, waste and corporate services. The Council has identified new opportunities to save more money by working with neighbouring councils which would protect our investment in front-line services. These opportunities can only be seized upon by joint agreement. With the debate on a possible reorganisation of local government running, there is uncertainty and anxiety amongst councils. This is contributing to limiting the regional ambition for more collaboration, and the Council is unable to progress some of its own ideas for extended collaboration.

Managing the Business Plans and their impacts

The action required to first develop and test out budget options ready for recommendation, and then to follow through and implement them once agreed, is complex and time-consuming. To do this the Council has set up a number of 'programme boards' which bring together senior officers and Cabinet members.

Budget options are tested out for acceptability and operability. In other words are we prepared to take them and would the public be prepared to work with us? Are they feasible and capable of being implemented successfully? Each option is 'risk-assessed' against these two tests. We also separate out those options which are internal to the organisation and should have low or no impact on the public and the people who use the service, such as reductions in management positions and changes to operating systems, from those which would have an impact, such as changing the location of a service or its opening hours, closing a facility or introducing or changing a charge for a service. In these latter types of cases we have to work out what prior notice is needed, whether there should be a specific consultation before making a decision, and whether we need to run an impact assessment or a specific Equality Impact Assessment because one or more recognised groups in society may be affected disproportionately. In the case of some services there are specified statutory notice and consultation procedures which must be followed. The Council is also mindful that it will need to gauge the cumulative impacts of service changes within and across communities as change plans become more challenging and the status quo is no longer.

Protecting Local Services

All of this work goes on in an effort to protect services from deep cuts and big closures. If the Council is exposed to budget cuts of a scale which it cannot manage through its existing plans and strategies, many services will no be longer be able to be protected. These will include schools budgets, day care services, residential care homes, roads maintenance, local bus services, and leisure centres.

4b. Funding Strategy Part 2: Corporate Financial Stewardship

The Council takes a whole-organisation approach to setting its annual and long-term budgets and in deciding how to make budget changes to meet changing circumstances. Over and above how we set priorities which determine where we deploy our resources, and how we support service portfolios in changing what they do through their individual business plans as set out in Chapter 4a, there are some big questions of financial decision-making and stewardship which can only be dealt with at a corporate or whole-council level as they impact across the board. These questions include how far we give service portfolios additional funds to meet the costs of annual inflation, how we support centrally any additional employment costs which we are obliged to meet such as annual pay awards, and what we expect of services to recover their costs from service users in charging for what they do.

Managing Inflation

In Part 1 of the MTFS we set out how inflation impacts on the Council and how we forecast what rates of inflation we could expect. Councils are exposed to three types of inflation: pay, price and non-standard price inflation. Despite a national trend of inflation being at its lowest level for some years, councils are still exposed to pay inflation of around 1% per annum and some price inflation, particularly non-standard inflation for food, energy and fuel whose price trends are unpredictable and volatile. We also face some unavoidable cost inflation increases, for example in benefit payments and the costs of purchasing care home places, which have their own annual cost-based increases which go unaffected by national inflation trends.

Our financial forecast makes assumptions about inflation rates and trends to allow prudent forward budget planning. In deciding how much to set aside in our budgets to cushion the organisation from inflation we make a risk assessment. In recent years we have set some corporate funding aside to meet inflation in part, and have expected services to absorb a proportion of inflation in their on-going budget management by being cost-efficient.

Due to national trends currently working in our favour we plan, based on our risk assessment, to allow £1m less than we would ordinarily have done in 2015/16 to meet inflationary uplifts in our costs. In this way we are absorbing £1m of our budget 'gap' into our budget planning as a form of operational risk.

Reducing Corporate Overhead Costs

There are a number of corporate costs and income sources which sit at the heart of the organisation where provision has to be set aside to meet variations in budget provision from one year to the next. One example, covered in the above section on inflation would be nationally agreed 'cost of living' annual pay awards for employees.

Based on recent patterns of the employer contributions needed to meet our obligations to the Clwyd Pension Fund, of which the Council is a member - set against the forecasted annual contributions required of Flintshire following the last three yearly Actuarial Review - we can prudently estimate to have to provide £0.9m less than the £1.747m contribution first expected for 2015/16 and into 2016/17. This reduction is largely due to the managed reductions in the Council's workforce on which the total amount due is calculated. The partial offset of this pressure is due to deliberate action by the Council to reduce the size of the workforce.

Following the completion of the Single Person Discount Review for those receiving a discount of Council Tax through living alone as an adult, there is an expected increase in income in the Council Tax Collection Fund of over £100k. This increase in income, to help reduce the budget 'gap', is due to deliberate action by the Council to maximise its Council Tax collection as a high performing collections authority.

Schools Funding Formula

Education is the Council's biggest set of services at £83m, with the large majority of those funds being delegated to our 80+ secondary and primary schools.

This delegated funded is passed out to schools according to our Schools Funding Formula. This formula, which was reviewed and then updated from 2015, takes into account factors such as pupil numbers, specific pupil needs and school buildings size and condition in setting out how much funding each individual school will receive each year.

The Council has given schools relative protection from funding cuts in recent years partly because this has been Welsh Government policy, and more so because remaining a high performing local education authority is a top priority of the Council.

The additional cost pressures coming through for the schools community for 2016/17 total £3.490m which would mean a 4% increase on 2015/16 funding. There are a number of options and choices for handling this challenge. Schools will have to make their contribution to the budget 'gap' and cannot be exempt, noting that any decision other than to fund the pressures in full will come with risks. The Council is planning to meet 1% of the pressures only for 2016/17, an option which would contribute around £2.5m to bridging the total funding 'gap'.

Local Taxation

The Council has had a policy of containing annual rises in Council Tax in recent years. This has been based on the view that Council Tax levels should be as affordable as possible with the organisation finding efficiencies internally first before asking the public to pay more to help with the funding 'gap'.

Between 2008/09 and 2015/16 the average annual Council Tax rise has been 3.2% with the highest being 3.75% in 2015/16 and the lowest 2.9% in 2013/14. Other councils have had different policies.

Council Tax makes up only 22% of the Council's total income. As our Government grant funding reduces more pressure is placed on councils to find more local income including through taxation. Council Tax in Wales is generally lower than in England. Whilst councils in England have had a special Government subsidy to keep Council Taxes rises low, Welsh councils have not.

The Government grant councils in Wales receive is distributed according to the Local Government Formula as explained in Chapter 3. Within this formula a calculation or benchmark of what each council needs called the Standard Spending Assessment (SSA) is included. The SSA is based on factors including demography, population

Table 4 - Corporate Finance Efficiency Proposals 2015/16

Subject	Proposal	Efficiency/Growth £m
Inflation Management	Part absorption of inflation risk	1.0
Corporate Overheads	Selective reduction in provisions	1.0
Schools Funding Formula	Controlled schools investment	2.5
Local Taxation	Enhanced Council Tax increases	0-1.8
Local Income	increases in charging	0.5
Totals		**5-6.8**

change and deprivation. Whilst being a theoretical calculation the SSA is significant in determining how much of the share of public funds set aside for local government in Wales comes to Flintshire.

The SSA for Flintshire for 2015/16 was set at £251.806m. The Council's planned net Council Fund expenditure for this year is £249.979m, leaving a gap of £1.827m. The only way the Council can bridge that gap to reach its notional spending level, given that no additional Government grant will be made available, would be to increase Council Tax. Collecting additional Council Tax of £1.827M would mean an additional Council Tax rise of around 3.5%. The Council has already assumed a Council Tax rise of 3% in its budget planning for 2016/17 based on its annual average rise in recent years. The Council would have the option of reaching the current SSA over a two year period by setting Council Tax rises of 4.75% or, given the extreme financial situation, applying a single year increase of 6.5%. The Welsh Government has a guiding policy of councils staying within 5% annual Council Tax rises although this has not been tested.

Local Income

Flintshire as a County Council has limited scope for raising income as a non-metropolitan council with a modest portfolio of land and assets generating commercial income.

The Council makes charges for some services within the bounds of legality and Government policy, and within the limits of affordability and acceptability to customers and communities.

The service portfolio business plans, set out in Chapter 5, already include compound income sources built up from previous years and, in some cases, new income generation initiatives for example in planning fees. As part of a more challenging corporate strategy for cost recovery through fees and charges the Council will be seeking to raise a further £0.5m of income in 2016/17 onwards by reviewing current fee levels.

The total reduction in corporate costs which could be achieved for 2016/17 based on the above proposals is at a minimum of £5m as summarised in Table 4.

4c. Funding Strategy Part 3: Working with Welsh Government

Councils are heavily reliant on Government for grant to fund what they do. For Flintshire some 65% of our annual funding comes through the Revenue Support Grant awarded annually by Welsh Government. Whilst councils are independent statutory public bodies with their own elected councillors, free mind, and right to choose their priorities based on local need and local opinion, they are also a form of 'agent' of government in implementing its social policy and legislation as directed. Local government and national governments are part of the same system of national governance of the public services. Governments must therefore share in the responsibility to fund the 'agents of delivery' of their social, economic and environmental policies and legislative reforms properly and fairly. In Chapters 4a and 4b we have set out the Council's contribution to managing with less in a tough fiscal environment. In this Chapter we set out our expectations of Welsh Government as the custodian of public finances in a devolved Wales.

In this Chapter we explore five areas where there is a legitimate case for Welsh Government to come to the support of the Council to fund cost pressures which have either been passed on to the Council through national decisions or meet its own critical social policy priorities.

Under each of the areas we set out the principle which underpins the case, the detail of the case, and the risks to the Council and local services if Welsh Government did not meet our case and provide support and relief.

Extension of the Welfare State

The principle here is that councils should not be subsidising the welfare state through local resources. Instead, the State should be fully funding its own universal benefits policies. The Council currently pays out benefits to local Council Tax payers who have an exemption from paying Council Tax in full. This is done under the Council Tax Reduction Scheme (CTRS).

The problem is the funding the Council receives from Welsh Government to make these payments is 'frozen', and we are not recompensed for the annual uplift in demand-led benefits costs we have to meet. By 2016/17 the Council will have to make up a gap of £625k in the CTRS scheme as a consequence. The risks are that the scheme becomes unsustainable; Council Tax has to be raised to cross-subsidise benefits to recipients; the Council may have to withdraw from the national Welsh scheme.

Public Sector Employment

The principle at stake here is that public sector should employ people with fair reward and rights. Local government as a large employer, with many low earning workers, should be properly funded to meet wage and pension costs and be given parity of esteem with the NHS, civil service and others in national funding for workforce costs. Welsh Government is committed to supporting uplifts in annual base pay for public sector workers (with enhanced uplifts in lower pay scales) to give proper reward and to avoid workers being in a position of pay poverty. This commitment should be recognised in national budgeting priorities, or it cannot be afforded. It is not a sustainable position to expect councils to meet annual inflationary workforce costs at a time of reducing resources.

Diverting existing funds away from maintaining ‘front-line’ services to meet employment costs will be difficult to justify to the public. Local government should be given parity with the NHS and the civil service where provision is made for funding workforce costs and, in addition, achievement of the Living Wage at the lower end of pay scales.

In 2016/17 the Council will have to absorb wage inflation of £1.690m from the nationally negotiated cost of living pay award. The risks are Councils will have to increasingly review terms and conditions of employment on the one hand to pay for annual cost of living pay awards on the other which is a contradictory position for employers and trade unions; relatively low pay in the local government sector will be perpetuated; councils will have to face difficult choices between maintaining pay and terms of conditions of employment, and public service provision; councils may opt out of national negotiating machinery; impacts on employer-trade unions relationships and workforce morale; possible industrial action, whether local or national.

Health and Social Care as a Single System Needing Full Funding

Insufficient investment is made in the primary and community care sectors where quality of life and preventing dependency on secondary and acute care is achieved. Social care is part of a connected system of care and should have parity of esteem with investment choices in the use of the national budget. There is ample research and operational evidence that the social care sector is facing a funding crisis. At a time when the UK and Welsh Governments are increasing investment in the National Health Service (NHS) equal priority should be given to the social care sector.

Two specific examples of chronic funding pressures on the Council where national relief is sought follow.

Demand-led pressures on specialist social care services:

transition from childhood to adulthood for high dependency clients. The costs of high-cost placements for small cohorts of clients, in this case 14, can have a disproportionate effect on the total social care budget. We are facing a budget pressure of £923k just for these cases, a figure equal to 1/60th of the total social care budget. Special provision should be made in recognition of the need to protect specialist services for the most vulnerable. Parity should be given to the primary care needs of clients falling under the responsibility of social services alongside those falling under the responsibility of health boards in national funding. The risks of not acting are the diversion of resources away from other social care services to meet the cost of such high dependency cases and their entitlement; aggregated funding impacts will make the current social care system, with growing demand, unsustainable.

Inflationary pressures on care placements and high cost specialist placements: given rising demand for services and reducing budgets the pressure on service supply will be intense. Raised care standards and entitlements are two of the factors which cause market inflation as investment needs to be made here to meet social policy aspiration. We face a budget pressure of keeping up with market costs of £948k. Parity should again be given to the primary care needs of clients falling under the responsibility of social services alongside those falling under the responsibility of health boards in national funding. The risks here are that faced with increasing demand the supply of service becomes an unsustainable model; the adequacy of care might be compromised with a lower volume/ quality of care being provided; councils may be at risk of commissioning sub-standard care; cost pressures will compress the terms and conditions of employment of the sector.

Educational Entitlement and Attainment

We believe that if school age education is to continue to be treated as a national social policy priority it should have parity of esteem with investment choices in the use of the national budget. The Council faces a bill for additional costs for Teacher Pensions of £1.364m, due to national reforms in employer pensions over which it has had no say.

The national agreement to increase the employer contributions to pension funds for the teaching workforce could fall on either the local council, as the local education authority, the local governing bodies of the employing schools, or a combination depending on local choice. 'Pass-porting' of the cost to local school governing bodies would place a new strain on schools delegated budgets and would be likely to reduce the ability of schools to employ their current cohort of teachers which, in turn, would affect teacher-pupil ratios and ultimately school standards and pupil attainment.

The Teachers' Pension Scheme is unfunded unlike the core local government pension scheme. Parity should be given to the treatment of the Teachers' Pension Scheme alongside the other unfunded schemes such as the NHS and civil service i.e. the responsibility for making good pension fund deficit positions should be borne by Government and not intermediate employers such as councils. Schools may be placed in an untenable financial position with new cost burdens of employment.

The big risk is that the council will have to reduce investment in services including education to meet additional costs of employment in the teaching sector.

Financial Freedom to Recover Costs to Make Services Sustainable

An important principle of local democracy is that councils should have the freedom to set local policy to recover costs through charging to help make services - within bounds of reasonableness on the affordability of charges with added protection for those most vulnerable to poverty.

There are several service areas where the Council is constrained in recovering costs from clients, who can afford to pay, by Welsh Government policy.

Domiciliary Home Care: recharging for Home Care provision used to be discretionary until the introduction of the First Steps policy in 2010 and has not been reviewed since, with charging limited to £60 per week from 2015. Income recovery falls well below the costs of provision and the Council is losing out on income of £0.945m which could help sustain social services under huge pressure.

The charging cap makes no recognition of ability and willingness to pay. The previous charging system with higher charges linked to cost of provision was generally accepted and was a workable one. There are increasing demands from those able to pay who have switched from private provision to public provision to benefit from the heavy subsidy. Given an ageing population with increasing demands this model of service is unsustainable. As part of a fair and equitable local charging policy there is no justification for continuing with this policy.

The risks of perpetuating this system are faced with increasing demand the supply of service becomes an unsustainable model; an income generating opportunity is lost; the adequacy of care might be compromised with a lower volume/quality of care being provided e.g. short visits with limited social contact for the client; councils may be at risk of commissioning sub-standard care; cost pressures will compress the terms and conditions of employment of the sector e.g. travel time reimbursement, salary levels; the non-justification for a heavily subsidised service for those available to pay becomes ethically challenged by others under the Council's income strategy.

Minor Home Adaptations: Charging for adaptations less than £3k in value which fall outside of the mean-tested charging system would allow partial cost recovery to subsidise the service. As part of a fair and equitable local charging policy there is no justification for charging exemptions for this service. The Council could recover income of £100k per year to subsidise the service if it could charge. The risks in the future are that the service is not adequately funded to meet demand; funds have to be diverted away from other services to subsidise adaptations; the non-justification for a free service for those available to pay becomes ethically challenged by others under the Council's income strategy.

Blue Badge Scheme: A modest charge for Blue Badge issue is justifiable and would be comparable to England (£10 per issue) and Scotland (£20 per issue). As part of a fair and equitable local charging policy there is no justification for charging exemptions for this service. The Council could raise income of £33.5k to subsidise services.

Support and relief from Welsh Government in these policy areas would make a major positive impact on the Council's budget planning as set out in Table 5 below. The costs shown for Employer, Social Care Funding and Education are examples of the pressures for which support is needed. This is not an exhaustive list and other cost pressures could be included.

Table 5 - Funding Pressures for National Support and Relief

Subject	Proposal	Funding £m
Welfare State	Full cost funding of the Council Tax Benefits Scheme	0.625
Employer	Funding of nationally agreed pay awards	1.690
Social Care Funding	Funding Health and Social Care as a single system with parity	1.871
Education	Funding nationally agreed employment costs for schools to protect spending delegated to schools	1.364
Freedom to Charge	Removing the charging caps for a number of services such as domiciliary care and returning to a system of fuller cost recovery from clients (with protection for those least able to pay)	1.078
Totals		**6.628**

5. Conclusions and Way Forward

Flintshire is in unchartered territory in having to manage budget cuts of this scale. So is Welsh Government. If councils are to see a way through these challenging times - with local services on which communities depend staying in tact - then close working is needed between councils and government for common purpose.

Flintshire is shown to be a low funded council. It is also shown to be a solid performer in the standards to which it provides local services, with excellence in key services such as education and social care.

Flintshire is being recognised nationally as a council which is being innovative in finding new solutions to make its services both cost efficient and resilient, and sustainable for the future.

A fundamental point is that the scale and the pace of the escalating annual budget cuts does not allow time for innovation. Our local programme for working with communities to transfer community assets to community ownership, and our local programme to create Alternative Delivery Models (ADMs) for selected services, whilst being well advanced, both need time and space to come to fruition. So do our business plans for the ongoing modernisation of services. If our plans are not given time, and are rushed into change, then key services will be put at serious risk.

Like all counties Flintshire is shaped by its history and its make-up of communities. We have set out the challenges of managing Flintshire as a dispersed county which has a number of proud and independent principal county towns. The Council tries to support and protect each county town by ensuring that their communities have local services and amenities which can be readily accessed. We will no longer be able to maintain our networks of local services without some relief from the relentless budget cuts.

The list of services which will be exposed to major cuts if our strategy does not enjoy universal support is a long one:-

- a significant reduction in the budgets given to local schools
- withdrawal of social services such as day care
- closure or sale of residential care homes
- closure of the welfare rights service
- cuts in support for the local voluntary sector
- a major cut in maintenance expenditure for roads
- cuts in winter maintenance road gritting service to the bare minimum
- closure of leisure centres
- closure of community buildings
- cuts in countryside and coastal management services
- less frequent household waste collection services
- closure of local house recycling centres
- withdrawal of all bus subsidies which support the less commercial local bus routes
- withdrawal of our grant to Theatre Clwyd
- reduced transport provision for learners to and from schools and colleges
- closure of the business support service and no future support for tourism
- closure of the ecology and biodiversity functions
- reduced maintenance standards for our rights of way network
- reduced support for the Clwydian Range Area of Outstanding Natural Beauty
- withdrawal of our financial support for Greenfield Valley

Councils in Wales are heavily dependent on government grant to fund what they do. More so in Wales than in England. This is why, within our three part strategy, we call for greater freedoms for the Council to be able to be entrepreneurial. If Wales is to be exposed to 'English style cuts' then councils in Wales need to be given English style powers and freedoms to be able to adapt.

The Council is playing its part and has identified around two thirds of the funding target needed for 2016/17. As a mature and responsible Council we will work with Welsh Government to find joint solutions. Local government needs to be given support with social care and health being jointly funded as a top priority.

This Strategy inevitably concentrates on 2016/17 as the next budget year we need to plan for. Equally, we have an eye on 2017/18 and subsequent budget years in planning ahead in a responsible and sustainable way.

Flintshire is at a 'tipping point'. A reorganisation of local government, still some years off, is not in itself a solution to the financial challenge. Neither is more talk of making efficiencies in 'back office' costs. The decisions to be made by the Council, by the UK Government and by Welsh Government in the coming months will define the future for local public services.

We call on local communities to stand up for their local services by working with us whether this is:-

- in being understanding and being patient with the changes we plan to make
- coming forward and working with us on transferring services to community models or
- in speaking up so that those who have decision-making power in their hands hear their voice.

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FLINTSHIRE COUNTY COUNCIL

REPORT TO:	**FLINTSHIRE COUNTY COUNCIL**
DATE:	**THURSDAY, 24 SEPTEMBER 2015**
REPORT BY:	**CORPORATE FINANCE MANAGER**
SUBJECT:	**STATEMENT OF ACCOUNTS 2014/15**

1.00 PURPOSE OF REPORT

1.01 To seek Members' approval of the final Statement of Accounts for 2014/15.

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 2014/15 accounts has now been substantially 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 24th September 2015 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 document, as attached (Appendix A). The work of the WAO continues and the Accounts attached reflect changes to date. If necessary, any further changes will be reported at Audit Committee and Council.

3.04 If the 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 The Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund are attached (Appendices D and E respectively). The Letter of Representation requires the Council to confirm the accuracy of the audit. In such letters, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.

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

3.07 One of the issues arising from the audit of the 2013/14 Accounts was that the Council did not have a clear protocol that set out arrangements for the establishment, discharge and review of its Reserves. The protocol is attached as Appendix F and was considered by Audit Committee earlier today and any specific comments made will be relayed verbally at the meeting. Members are requested to approve the Reserves and Balances Protocol.

4.00 RECOMMENDATIONS

4.01 Members are requested to approve the final Statement of Accounts for 2014/15.

4.02 Members are requested to approve; the Letter of Representation – Flintshire County Council, and the Letter of Representation – Clwyd Pension Fund.

4.03 Members are requested to approve the Reserves and Balances Protocol.

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 2014/15
Appendix B - WAO report, Audit of the Financial Statements - Flintshire County Council
Appendix C - WAO report, Audit of the Financial Statements – Clwyd Pension Fund
Appendix D - Letter of Representation - Flintshire County Council
Appendix E - Letter of Representation - Clwyd Pension Fund
Appendix F – Reserves and Balances Protocol

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Various 2014/15 Final Accounts Working Papers

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STATEMENT OF ACCOUNTS

2014-15

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Flintshire
COUNTY COUNCIL

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EXPLANATORY FOREWORD

The Statement of Accounts 2014/15 provides details of the Council's financial position for the year ended 31st March 2015. The information presented on pages 7 - 82 is in accordance with the requirements of the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements included are :-

- The core financial statements comprising of –

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

      Headline figures – Usable reserves £53,835k; unusable reserves £217,375k;

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

      Headline figure – Deficit on the provision of services £21,928k; which is carried into the movement in reserves statement.

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

      Headline figure – Net worth of the Council £271,210k as at 31st March 2015 representing an decrease from the balance sheet total of £362,386k as at 31st March 2014.

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

- The supplementary financial statements comprising of –

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

    Headline figure – Decrease in HRA balance of £1,662k to £1,510k

- The pension fund accounts are presented in accordance with required guidance, in pages 83 to 109.

Medium Term Financial Strategy

The Council has a Medium Term Financial Strategy (MTFS) which forecasts the amount of resource that the Council is likely to have over the next 3 years, identify any funding gap, and enable specific actions to be identified to balance the budget and manage resources. The MTFS gathers information from activity across all Council Fund services (but not the Housing Revenue Account), taking account of all costs pressures and efficiency savings anticipated over the 3 year period for both the revenue budget and the capital programme, including planned future developments in service delivery.

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

REVENUE BUDGET, OUTTURN AND OVERALL FINANCIAL POSITION

The Council Fund budget for 2014/15 was set at £255,176k (including Outcome Agreement grant) and approved by Council on 18th February 2014. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 14th July 2015.

The 2014/15 budget enabled the Council to develop its organisational change and redesign programme to reduce operating costs and remodel functions, whilst protecting 'front line' public services. During the year the operating model was restructured, resulting in a reduction of senior management costs along with significant reductions to overall workforce numbers and costs, to meet the challenge presented by cuts in Welsh Government funding.

Total net expenditure for 2014/15 amounted to £253,372k (expenditure of £254,079k reduced by £707k resources in excess of what was anticipated) against the budget of £255,176k.

	2014/15 Budget £000	2014/15 Actual £000	Variance £000
Corporate Services :			
Chief Executive	3,151	3,111	(40)
People and Resources	5,029	4,999	(30)
Governance	8,388	8,489	101
	16,568	16,599	31
Social Services	58,046	58,168	122
Community and Enterprise	13,367	13,468	101
Streetscene and Transportation	29,558	29,642	84
Planning and Environment	5,644	5,420	(224)
Education and Youth	97,155	97,234	79
Organisational Change	8,923	8,778	(145)
Net expenditure on services	**229,261**	**229,309**	**48**
Central loans and investment account	15,509	14,880	(629)
Central and Corporate Finance	16,656	16,140	(516)
Total net expenditure	**261,426**	**260,329**	**(1,097)**
Contribution from reserves	(6,250)	(6,250)	0
Budget requirement	**255,176**	**254,079**	**(1,097)**
Financed by			
Council tax (net of community council precepts expenditure)	60,776	61,488	(712)
General grants	146,711	146,706	5
Non-domestic rates redistribution	47,689	47,689	0
Total resources	255,176	255,883	(707)
Net variance - (underspend)	**0**	**(1,804)**	**(1,804)**

The underspend of £1,097k, increased to £1,804k by way of additional Council Tax income £712k and a reduction of £5k general grants has served with other agreed funding transfers to produce a year-end Council fund revenue reserves total of £40,747k, which includes the unearmarked Council fund balance of £10,515k.

	2015 £000	Net Underspend £000	Other £000	2014 £000
Council fund (unearmarked) balance	10,515	1,804	(2,450)	11,161
Earmarked council fund reserves	27,853	0	(9,241)	37,094
Locally managed schools	2,379	0	181	2,198
Total council fund revenue reserves	40,747	1,804	(11,510)	50,453

SOURCES OF CAPITAL FINANCING AND CAPITAL PROGRAMME BUDGET

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2014/15 Capital Programme was approved in the sum of £33,076k (Housing Revenue Account £12,106k and Council Fund £20,970k); this figure moved during the course of the year to a final programme total of £43,459k, (Housing Revenue Account £12,506k and Council Fund £30,953k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 14th July 2015.

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

	2015
	£000
Supported borrowing *	4,316
Other borrowing (including Salix loans)	5,969
Capital receipts	1,282
Capital grants and contributions	21,803
Capital reserves/capital expenditure funded from revenue account	7,002
Core financing	40,372
Finance leases	0
Total financing	40,372

* Cash reserves used in place of borrowing as detailed in Borrowing Facilities note on page 5.

CAPITAL OUTTURN

The financing total of £40,372k supported capital expenditure (including REFCUS of £8,243k) across those programme areas detailed in the table below; the information included in this table is presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) form, for its published Local Government Finance Statistics

	2015
	£000
Education	9,245
Social services	642
Transport	6,083
Housing	15,744
Libraries, culture and heritage	16
Agriculture and fisheries *	540
Sport and recreation	378
Other environmental services	7,724
Outturn	40,372

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

BORROWING FACILITIES

No major long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2014/15 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total of £172,585k includes; the sum of £135k 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, and a loan of £337k from Welsh Government for the Council provide recyclable loans for housing initiatives in the Capital Programme – repayable in 15 years.

PENSION LIABILITY

Disclosures are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability. The liability recorded in the balance sheet (£333,974k) is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Authority as reflected in the balance sheet total of £271,210k (£362,386k as at 31st March 2014).

IMPACT OF THE CURRENT ECONOMIC CLIMATE

67% of the funding for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2014/15, there was a decrease in funding of 3.36% which combined with significant pressures from factors outside of the Council's control increasing revenue costs including; inflation, demographic growth and a general increase in demand for Council services due to the continuing effects of the economic downturn. The impact of funding not keeping pace with increasing costs had significant consequences and will continue to do so in future years as this position is not expected to improve.

Despite this financial challenge, careful budget planning and monitoring delivered £7,675k of new efficiencies during 2014/15 enabling the Council to invest in priorities such as school budgets and social care and provide resources to re-shape services.

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 2014/15 (the last year of the current cycle, commencing 1st April 2010) 31% of non-dwelling assets were revalued. The overall impact of the 2014/15 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 £762,996k to £750,296k).

CHANGE IN ACCOUNTING POLICIES

There have been no material changes to accounting policies during 2014/15. During the year minor changes to accounting policies were made to reflect changes in the Code of Practice and the way in which Council services are delivered they included; Joint Committees, Subsidiaries, Schools, and Non-current Assets - Schools

FURTHER INFORMATION

The Statement of Accounts is available on the internet (www.flintshire.gov.uk); any further information is available from the Corporate Finance Manager, Flintshire County Council, County Hall, Mold, CH7 6NA.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

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

Signed :

Ray Hughes
Chair to the County Council

Date :

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer 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 Chief Finance Officer has :-

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

The Chief Finance Officer has also :-

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

The statement of accounts presents a true and fair view of the financial position of the Authority at 31st March 2015, 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 2015 and the amount and disposition at that date of its assets and liabilities.

Signed :

Gary Ferguson CPFA
Corporate Finance Manager (Chief Finance Officer)

Date :

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2015

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

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

	Note	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2014		11,161	39,292	1,662	4,293	3,804	**60,212**	302,174	**362,386**
Surplus/(deficit) on the provision of services		(10,484)	0	(11,444)	0	0	**(21,928)**	0	**(21,928)**
Other comprehensive income and expenditure		0	0	0	0	0	**0**	(69,248)	**(69,248)**
Total comprehensive income and expenditure		**(10,484)**	**0**	**(11,444)**	**0**	**0**	**(21,928)**	**(69,248)**	**(91,176)**
Adjustments between accounting and funding basis under regulations	**5**	778	0	11,292	2,471	1,010	**15,551**	(15,551)	**0**
Net increase/(decrease) before transfers to earmarked reserves		**(9,706)**	**0**	**(152)**	**2,471**	**1,010**	**(6,377)**	**(84,799)**	**(91,176)**
Transfers to/(from) earmarked reserves	**21**	9,060	(9,060)	0	0	0	**0**	0	**0**
Increase/(decrease) in year		**(646)**	**(9,060)**	**(152)**	**2,471**	**1,010**	**(6,377)**	**(84,799)**	**(91,176)**
At 31st March 2015		10,515	30,232	1,510	6,764	4,814	**53,835**	217,375	**271,210**

MOVEMENT IN RESERVES STATEMENT
for the year ended 31st March 2014

	Note	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
					Restated				
At 31st March 2013		9,270	42,604	1,931	5,348	3,622	**62,775**	254,367	**317,142**
Surplus/(deficit) on the provision of services		(14,553)	0	(8,556)	0	0	**(23,109)**	0	**(23,109)**
Other comprehensive income and expenditure		0	0	0	0	0	**0**	66,797	**66,797**
Total comprehensive income and expenditure		**(14,553)**	**0**	**(8,556)**	**0**	**0**	**(23,109)**	**66,797**	**43,688**
Adjustments between accounting and funding basis under regulations	**5**	13,140	0	8,279	(1,055)	182	**20,546**	(20,546)	**0**
Net increase/(decrease) before transfers to earmarked reserves		**(1,413)**	**0**	**(277)**	**(1,055)**	**182**	**(2,563)**	**46,251**	**43,688**
Transfers to/(from) earmarked reserves	**21**	3,304	(3,312)	8	0	0	**0**	0	**0**
Increase/(decrease) in year		**1,891**	**(3,312)**	**(269)**	**(1,055)**	**182**	**(2,563)**	**46,251**	**43,688**
At 31st March 2014		11,161	39,292	1,662	4,293	3,804	**60,212**	300,618	**360,830**
Prior period adjustment **		0	0	0	0	0	**0**	1,556	**1,556**
At 31st March 2014 Adjusted		11,161	39,292	1,662	4,293	3,804	**60,212**	302,174	**362,386**

** Prior period adjustment - see Note 39

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2015

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

						Restated	
			2015			2014	
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Service Expenditure Analysis	**41**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adult social care		60,359	(16,489)	43,870	55,263	(8,223)	47,040
Central services to the public		3,213	(1,426)	1,787	3,285	(1,354)	1,931
Education and children's services		157,880	(30,474)	127,406	176,273	(28,204)	148,069
Cultural and related services		20,193	(8,858)	11,335	24,942	(11,144)	13,798
Environmental and regulatory services		24,481	(7,977)	16,504	24,366	(6,950)	17,416
Planning services		12,347	(7,088)	5,259	7,381	(3,281)	4,100
Highways and transport services		28,802	(5,970)	22,832	28,861	(10,385)	18,476
Housing services :							
Housing - Council fund		62,269	(45,699)	16,570	60,471	(45,472)	14,999
Housing revenue account (HRA)		38,270	(28,627)	9,643	34,716	(28,221)	6,495
Corporate and democratic core		7,809	(1,245)	6,564	6,357	(3)	6,354
Non distributed costs		5,134	0	5,134	(1,608)	0	(1,608)
Cost of services		**420,757**	**(153,853)**	**266,904**	**420,307**	**(143,237)**	**277,070**
Other Operating Expenditure	**2**			23,323			22,923
Financing and Investment Income and Expenditure	**3**			20,617			15,875
Taxation and Non-Specific Grant Income	**4**			(288,916)			(292,759)
(Surplus)/deficit on the provision of services				21,928			23,109
(Surplus)/deficit arising on revaluation of non-current assets				(173)			(10,263)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(3)			0
Actuarial (gains) or losses on pension assets and liabilities				69,424			(56,534)
Total comprehensive income and expenditure				**91,176**			**(43,688)**

BALANCE SHEET
as at 31st March 2015

				Restated	
		2015		2014	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment	6				
Council dwellings		256,346		263,031	
Other land and buildings *		271,696		273,562	
Vehicles, plant, furniture and equipment		16,272		16,347	
Surplus assets		7,426		7,807	
Infrastructure assets		156,781		155,600	
Community assets		4,543		4,720	
Assets under construction		3,771		4,582	
Total Property, Plant & Equipment			716,835		725,649
Investment properties and Agricultural Estate	7		30,805		36,544
Intangible assets	9		394		581
Long term investments	10		0		2,021
Long term debtors	11		2,072		1,879
NON-CURRENT ASSETS TOTAL			750,106		766,674
CURRENT ASSETS					
Inventories	12	1,038		1,202	
Short term debtors (net of impairment provision)	13	33,736		36,976	
Short term investments	14	2,115		6,781	
Cash and cash equivalents	15	42,679		40,505	
Assets held for sale	8	2,656		803	
Donated assets	30	0		1,136	
CURRENT ASSETS TOTAL			82,224		87,403
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 month:	16	(1,555)		(1,454)	
Short term creditors	17	(31,151)		(31,122)	
Provision for accumulated absences	19	(3,296)		(3,376)	
Deferred liabilities	44	(529)		(492)	
Grants receipts in advance	18	(2,573)		(1,581)	
Provisions	19	(5,381)		(806)	
Donated assets account	30	0		(1,136)	
CURRENT LIABILITIES TOTAL			(44,485)		(39,967)
NON-CURRENT LIABILITIES					
Long term creditors	17	(1,016)		(2,251)	
Long term borrowing	20	(172,585)		(172,700)	
Deferred liabilities	44	(6,531)		(7,060)	
Provisions	19	(1,032)		(10,179)	
Other long term liabilities	46	(333,974)		(258,417)	
Grants receipts in advance	18	(1,497)		(1,117)	
NON-CURRENT LIABILITIES TOTAL			(516,635)		(451,724)
NET ASSETS			271,210		362,386

BALANCE SHEET

	Note	2015 £000	2015 £000	Restated 2014 £000	Restated 2014 £000
USABLE RESERVES	**21**				
Capital receipts reserve		6,764		4,293	
Capital grants unapplied		4,814		3,804	
Council fund		10,515		11,161	
Earmarked reserves		30,232		39,292	
Housing revenue account		1,510		1,662	
USABLE RESERVES TOTAL			53,835		60,212
UNUSABLE RESERVES	**22**				
Revaluation reserve		57,858		60,536	
Available-for-sale financial instruments reserve		0		(3)	
Capital adjustment account **		504,216		516,324	
Financial instruments adjustment account		(7,545)		(7,912)	
Pensions reserve		(333,974)		(258,417)	
Equal pay account		0		(4,978)	
Deferred capital receipts		116		0	
Accumulated absences account		(3,296)		(3,376)	
UNUSABLE RESERVES TOTAL			217,375		302,174
TOTAL RESERVES			271,210		362,386

** Prior period adjustment - see Note 39

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

- Usable Reserves - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

- Unusable Reserves - those reserves that the Authority is unable to use to provide services, including reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

CASH FLOW STATEMENT

for the year ended 31st March 2015

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.

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.

				Restated	
	Note	**2015**		**2014**	
		£000	**£000**	**£000**	**£000**
Net surplus or (deficit) on the provision of services		(21,928)		(23,109)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		50,171		52,694	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(27,020)		(20,677)	
Net cash outflows from operating activities	**24**		1,223		8,908
Net cash flows from investing activities	**25**	1,460		(2,838)	
Net cash flows from financing activities	**26**	(509)		87	
			951		(2,751)
Net increase or decrease in cash and cash equivalents			2,174		6,157
Cash and cash equivalents at the beginning of the reporting period	**15**		40,505		34,348
Cash and cash equivalents at the end of the reporting period	**15**		**42,679**		**40,505**

INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the accounting policies set out at Note 1. The notes that follow (1 to 46) set out supplementary information to assist readers of the accounts.

1. STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accounting Standards Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has introduced the following changes, amendments and interpretations to existing standards. They are mandatory for the Council's accounting periods beginning on or after 1st April 2015 or later periods and will require changes to accounting policies in next years accounts, but the Council has not early adopted them.

If these had been adopted for the financial year 2014/15 there would be no material changes as detailed below:

- IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and applies to assets and liabilities measured at fair value. The valuation method for surplus assets (assets not currently being used to deliver services, or meeting criteria to be classed as investment properties or held for sale) will change from existing use based on their use as an operational asset to a market valuation. Given that the Council has a limited number of surplus assets the change is not expected to be material.
- Annual Improvements to IFRSs. These are minor changes to clarify existing IFRs and are not expected to have a material effect on the Council's accounts.
- IFRIC 21 Levies. Identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Critical Judgements and Assumptions Made

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

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

Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities.

Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Future Levels of Government Funding and Levels of Reserves – The future levels of funding for local authorities has a high degree of uncertainty. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Council's track record in financial management. The Council's budget strategy for 2015/16 was approved in February 2015 and can be found on the Council's website.
- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation.
- Provisions – The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date.
- Impairment of Financial Assets – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt.
- Property, Plant and Equipment – Assets are depreciated over their useful life and reflect such matters as the level of repairs and maintenance that will be incurred in relation to individual types of asset, cost of replacement and assuming prudent maintenance, an estimate of the unexpired useful life of the asset.
- Asset Valuations – The Council values its non current assets on the basis of Fair Value, with the exception of the Housing Stock which is valued to 'Existing Use Value – Social Housing'. The Council exercises judgement on whether there is market evidence to value the asset on the basis of Fair Value and where there is no such evidence, the Council uses a depreciated replacement cost (DRC) approach.
- Group Accounts – The Council has exercised judgement in its decision not to produce group accounts incorporating the wholly owned subsidiary, North East Wales Homes and Property Management (NEW Homes). The Council judges that the decision will not materially distort the readers understanding of the Council's financial position, performance and cash flows, electing to produce a disclosure note (Note 30) that fully explains the arrangements and their effects instead.

Accounting Policies

Accruals of Income and Expenditure

The revenue and capital accounts of the Council are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2015. In particular:-

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

An exception to this policy relates to annual payments which are charged when paid rather than being apportioned across financial years. The policy is applied consistently each year and therefore have no material effect on an year's accounts.

Borrowing Costs

The Council has elected to adopt the adaptation by the Code in respect of IAS 23 which allows borrowing costs in respect of qualifying assets to be expensed rather than capitalised. Therefore, all borrowing costs are recognised as an expense as they are incurred.

Capital Receipts

Capital receipts arise from the disposal of property assets and the repayment of advances, and are accounted for on an accruals basis; amounts not exceeding £10k from any disposal are treated as revenue income, in accordance with capital regulations. The 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.

Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in the first year of the second phase running from 1st April 2014 to 31st March 2019.

The Council is required 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 will be discharged by surrendering allowances The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is apportioned to services on the basis of energy consumption, and is recognised and reported in the costs of services.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non Current Assets

Services and support services are charged with the following amounts to record the cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.
- The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's MRP is calculated in accordance with the 2014/15 MRP Policy Statement agreed by Council in February 2014 and Welsh Government Guidance on MRP. The Council's Policy is to:

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

In addition, the Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefit. A breakdown of MRP charged for the year is disclosed in Note 40.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, (but then reversed out through the Movement in Reserves Statement) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructure.

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

- The Local Government Pension Scheme, Clwyd Pension Fund (administered by Flintshire County Council).

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net Interest on the net defined benefit liability – the net interest expense for the Council, the change during the period that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Calculated as interest on pension liabilities less the interest on assets. The value of liabilities is calculated by discounting the expected future benefit payments for the period between the expected payment date and the date at which they are being valued. Interest on assets is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- Administration expenses – the costs of running the fund attributable to the Council, does not include investment management expenses – debited to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charge to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Clwyd pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund / HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are classified into two types:-

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

Loans and Receivables:

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest receivable, are based on the carrying amount of the asset, multiplied by the effective rate of interest of the financial 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, as determined in the loan agreement.

Available-for-Sale Assets:

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable, are based on the amortised cost of 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
- Other instruments with fixed and determinable payments / discounted cash flow analysis
- 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 and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain / loss for the asset accumulated in the Available-for-Sale 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential realised using the grant or contribution are required to be consumed by the recipient as specified or must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Grants Receipts in Advance).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Heritage Assets

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

Historical Buildings:-

The Council's historical buildings are located primarily in the Greenfield Valley Heritage Park. Historical buildings are classified as operational or non-operational.

Operational

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

Non-Operational

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

Collections:-

County Archives

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

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

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

County Museum:-

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 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 majority of the collection items have been donated. The vast majority of the collection cannot be valued because of its diverse and unique nature. Conventional valuation approaches lack sufficient reliability and the cost of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. As with the County Archives collection, the Council does not recognise these assets on the Balance Sheet.

Intangible Assets

Intangible assets are non-monetary assets without physical substance. Expenditure on intangible assets is capitalised only where it is expected that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably.

Development expenditure, or purchased software licences may meet the definition of 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 £10k below which the requirements of capital accounting will not be applied is in place.

Intangible assets are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Amortisation commences the first full year following acquisition / addition.

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

	Years
Software licences	5
Development expenditure	7

Interest Charges

External interest payable is charged to the Comprehensive Income and Expenditure Statement together with the amortisation of gains and losses on the repurchase or early settlement of borrowing carried forward in the Balance Sheet.

Inventory

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

- Halkyn Depot (Highways maintenance and rock salt) — Weighted average
- Alltami Depot (Grounds & vehicle maintenance and rock salt) — Weighted average
- Alltami Depot (Fleet fuel) — FIFO (first in first out)
- Canton Depot (Building maintenance) — FIFO
- All other stock is measured at cost

Investments

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

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

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (and for any sale proceeds greater than £10k, the Capital Receipts Reserve).

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

Joint Committees

The Council recognises on the Balance Sheet the assets that it controls and the liabilities that it incurs from the activity of any service delivered in conjunction with other parties, and reflects within the Comprehensive Income and Expenditure Statement the expenditure it incurs, and the share of income it earns from such.

Leases

Finance Leases

For a lease to be classified as a finance lease substantially all risks and rewards of ownership need to be bourne 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 bourne 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. 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.

Overheads and Support Services

The costs of centrally provided support services and administrative buildings have been charged to services in line with the 2014/15 Service Reporting Code of Practice (SeRCOP). The costs of the corporate and democratic core and any non distributed costs are allocated to separate objective heads and are not apportioned to any other service.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment that is deemed to enhance the value of an asset is initially capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Such assets are subsequently revalued in-year and impaired or revalued as appropriate to ensure they are held at the correct carrying value.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

Measurement

Assets are initially measured at cost, comprising:-

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Donated assets are assets that have been transferred to the Council at nil or less than fair value consideration and are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non- Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Council dwellings – fair value, determined using the existing use value for social housing (EUV – SH).
- Infrastructure assets – depreciated historical cost.
- Vehicles, plant, furniture and equipment – depreciated historical cost.
- All other operational assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Community assets – historical cost and not depreciated.
- Investment property – market value and not depreciated.
- Assets held for sale – lower of value before classified as held for sale and market value, and not depreciated.
- Surplus assets – fair value (existing use value)
- Assets under construction – historical cost.

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

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

Revaluation

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2014/15 approximately 31% of non-dwelling assets were revalued.

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.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are reviewed for impairment at the end of each reporting period to ensure that they are not carried at a value higher than their recoverable amount. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage).

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:-

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of any accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful life. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (i.e. assets under construction). Depreciation on new assets is charged from the first full year following addition in the case of all assets other than those acquired under finance leases, for which provision is made from the year of addition.

Depreciation is calculated on a straight line basis, assuming nil residual values for all property plant and equipment, with the most common useful lives being:-

	Years
Buildings	50
Vehicles, plant, furniture and equipment	3-10
Infrastructure assets	40

Council Dwellings are depreciated by a sum equivalent to the Major Repairs Allowance (MRA).

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

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose estimated useful life is significantly different from the useful life of the main asset, the components are depreciated separately.

A de minimis materiality level of £2.5m for the asset value has been set, below which individual items of property, plant and equipment will not be considered for componentisation; significant components will be deemed as those whose current value is 20% or more of the total current value of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Derecognition of Property, Plant and Equipment

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale once all of the following criteria are met:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as Capital Receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Schools

All of the Council's maintained schools are considered to be entities controlled by the Council. In line with the requirements of the code the Council accounts for its maintained schools within its single entity financial statements. This includes school income, expenditure, assets, liabilities, reserves and cash flows.

Non-current Assets - Schools

Non-current assets of Community schools are owned by the Council and are included in the Balance Sheet.

Voluntary Aided and Voluntary Controlled school buildings are owned by religious bodies and therefore are not recognised on the Balance Sheet. Any land and/or playing fields that are owned by the Council at Voluntary Aided / Controlled schools is included on the Balance Sheet.

The Council's single Foundation school is owned by the governors of the school and is therefore included in the Balance Sheet. This is a change in accounting policy, however as its impact is not material the change has been applied to the opening balances on the balance sheet.

Subsidiaries

The Council wholly owns a company called North East Wales Homes and Property Management (NEW Homes), and therefore controls this entity. Group accounts have not been prepared as the both the qualitative and quantitative aspects of consolidation are not material to the group accounts. Note 30 provides further information about North East Wales Homes.

The Council accounts for investments in subsidiaries at cost.

Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. OTHER OPERATING EXPENDITURE

	2015	2014
	£000	£000
Precept - North Wales Police and Crime Commissioner	13,998	13,443
Other preceptors - Community Councils	2,387	2,323
Levy - North Wales Fire and Rescue Authority	7,019	6,955
Net gain on the disposal of non-current assets	(499)	(200)
Admin. expenses on the net defined benefit liability	418	402
	23,323	22,923

3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,617k (£15,875k in 2013/14), incorporates the investment losses and investment expenditure detailed below.

	2015	2014
	£000	£000
Interest payable and similar charges	10,212	10,063
Investment losses and investment expenditure (see note below)	4,168	2,665
Net interest on the net defined benefit liability (see note 46)	10,814	12,250
Interest and investment income	(4,577)	(9,103)
	20,617	15,875

Investment Losses and Investment Expenditure

The following entries have been recognised:

		2015			2014	
	£000	£000	£000	£000		£000
Revaluation Losses on Investment property		2,988			1,741	
Impairment adjustments - LBI	0			17		
Less interest accrued - LBI	0			(81)		
		0			(64)	
			2,988			1,677
Investment (properties) expenditure			1,180			988
			4,168			2,665

4. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2015	2014
	£000	£000
Council tax income	(77,873)	(75,006)
Non-domestic rates	(47,689)	(46,872)
Non-ringfenced government grants	(146,706)	(155,067)
Capital grants and contributions	(16,648)	(15,814)
	(288,916)	(292,759)

Council Tax

All domestic properties are included in the Council Tax Valuation List which is issued and maintained by the Valuation Office Agency, part of HMRC. Each property is placed in one of nine property bands (Band A to Band I) depending on the open market valuation of the dwelling at 1st April 2003 (otherwise known as the valuation date). A tenth band (A-) is only available to those taxpayers who live in band 'A' properties and are entitled to a disabled banding reduction.

Council Tax is payable based on the valuation band into which a property has been placed by the Valuation Office Agency. Gross charges are calculated by dividing the total income requirements of the County Council, Police and Crime Commissioner for North Wales and Town/Community Councils by the council tax base.

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts.
The tax base for 2014/15 was 61,501 band 'D' equivalent properties (60,254 in 2013/14) as calculated in the following table:

	Valuation Band										
	A -	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**Total**
Chargeable Dwellings											
Number of chargeable dwellings	0	3,854	8,882	19,344	12,031	9,948	6,791	3,011	567	232	64,660
Dwellings with disabled reliefs	0	16	53	118	104	127	87	42	9	20	576
Adjusted chargeable dwellings	16	3,891	8,947	19,330	12,054	9,908	6,746	2,978	578	212	64,660
Adjusted Chargeable Dwellings											
Dwellings with no discounts	8	1,221	4,821	12,444	8,393	7,477	5,541	2,527	489	188	43,109
Dwellings with one discount	8	2,670	4,122	6,879	3,650	2,420	1,198	444	70	20	21,481
Dwellings with two discounts	0	0	4	7	11	11	7	7	19	4	70
Discounted chargeable dwellings	16	3,891	8,947	19,330	12,054	9,908	6,746	2,978	578	212	64,660
Discounted Chargeable Dwellings											
Total discounted dwellings	14	3,224	7,915	17,607	11,136	9,298	6,443	2,864	551	205	-
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	8	2,149	6,156	15,650	11,136	11,364	9,307	4,773	1,102	478	62,122

Collection rate adjustment (at 1%)	(621)
Exempt properties adjustment	0
Council Tax Base 2014/15	61,501

The Flintshire County Council precept for a band 'D' property in 2014/15 was £988.21 (£959.43 in 2013/14). Council tax bills were based on the following multipliers for bands A- to I :-

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

Other precepts added to 2014/15 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £13,998k (£13,443k in 2013/14) and 34 Town and Community Councils who collectively raised precepts totalling £2,387k (£2,323k in 2013/14).

Analysis of the net proceeds from Council tax:

	2015 £000	2014 £000
Council tax collected	78,203	75,202
Increase/Decrease in bad debts provision	65	(92)
Less - Amounts written off to provision	(395)	(104)
	77,873	75,006
Less - Payable to North Wales Police and Crime Commissioner	(13,998)	(13,443)
	63,875	61,563

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2014/15 was 47.3p for all properties (46.4p in 2013/14). 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. 2014/15 NDR income paid into the pool was £59,759k after relief and provisions (£58,659k in 2013/14), based on a year end rateable value total of £151,494k (£151,912k in 2013/14).

Analysis of the net proceeds from non-domestic rates:

	2015 £000	2014 £000
Non-domestic rates collected	59,595	59,524
Less - Paid into NDR pool	(59,759)	(58,659)
Less - Cost of collection	(362)	(363)
Increase/Decrease in bad debts provision	45	(502)
Relief Schemes	481	0
	0	0
Receipts from pool	47,689	46,872
	47,689	46,872

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The debit adjustment for the year is £15,551k (£20,546k debit in 2013/14).

2014/15	Usable Reserves: Council Fund Balance £000	Council Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):						
Charges for depreciation and impairment of non current assets	10,778	0	18,771	0	0	(29,549)
Revaluation losses on Property, Plant and Equipment	9,978	0	0	0	0	(9,978)
Movements in the market value of Investment Properties	1,774	0	0	0	0	(1,774)
Amortisation of intangible assets	184	0	3	0	0	(187)
Capital grants and contributions applied	0	0	0	0	(21,803)	21,803
Revenue expenditure funded from capital under statute	8,125	0	0	0	0	(8,125)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,990	0	570	0	0	(3,560)
Inclusion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(7,130)	0	(528)	(570)	0	8,228
Capital expenditure charged against the Council Fund and HRA balances	(117)	0	(6,885)	0	0	7,002
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	(22,813)	0	0	0	22,813	0
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,358)	0	(865)	4,324	0	(101)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(1,283)	0	1,283
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(222)	0	(144)	0	0	366
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	29,767	0	1,578	0	0	(31,345)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,039)	0	(1,173)	0	0	25,212
Adjustment involving the Equal Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(4,978)	0	0	0	0	4,978
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(45)	0	(35)	0	0	80
Adjustments involving the Deferred Capital Receipts Account:						
Transfer from CIES to deferred Capital Receipts Reserve	(116)	0	0	0	0	116
Adjustments between accounting basis & funding basis under regulations	**778**	**0**	**11,292**	**2,471**	**1,010**	**(15,551)**

	Restated					
	Usable Reserves					
	Council Fund Balance	Council Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
2013/14	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):						
Charges for depreciation and impairment of non current assets	3,196	0	14,291	0	0	(17,487)
Revaluation losses on Property, Plant and Equipment	30,496	0	0	0	0	(30,496)
Movements in the market value of Investment Properties	(3,593)	0	0	0	0	3,593
Amortisation of intangible assets	123	0	(8)	0	0	(115)
Capital grants and contributions applied	0	0	0	0	(17,471)	17,471
Revenue expenditure funded from capital under statute	3,513	0	0	0	0	(3,513)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,126	0	642	0	0	(2,768)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(7,143)	0	(542)	(370)	0	8,055
Capital expenditure charged against the Council Fund and HRA balances	(432)	0	(5,942)	0	0	6,374
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	(17,653)	0	0	0	17,653	0
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,472)	0	(554)	3,026	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(3,711)	0	3,711
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(297)	0	(174)	0	0	471
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	29,864	0	1,473	0	0	(31,337)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,955)	0	(949)	0	0	21,904
Adjustment involving the Equal Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory	(4,357)	0	0	0	0	4,357
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	724	0	40	0	0	(764)
Adjustments involving the Deferred Capital Receipts Account:						
Transfer from deferred Capital Receipts Reserve to CIES	0	0	2	0	0	(2)
Adjustments between accounting basis & funding basis under regulations	**13,140**	**0**	**8,279**	**(1,055)**	**182**	**(20,546)**

6. PROPERTY PLANT AND EQUIPMENT

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

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Included are highways, footpaths, bridges, water and drainage facilities and coastal defences.

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

Movements 2014/15

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2014	293,335	317,605	27,096	7,848	213,359	4,720	4,582	868,545
Reclassifications *	0	(170)	644	0	(297)	(177)	0	0
Total	293,335	317,435	27,740	7,848	213,062	4,543	4,582	868,545
Additions and Acquisitions	12,422	8,266	1,766	21	6,623	0	3,031	32,129
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,126)	0	(84)	0	0	0	(1,210)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(20,391)	0	(625)	0	0	0	(21,016)
Assets Derecongised	0	0	(2,254)	0	0	0	(140)	(2,394)
Reclassifications	(344)	(1,086)	0	669	0	0	0	(761)
Other movements in cost or valuation	0	4,130	0	117	0	0	(3,702)	545
At 31st March 2015	305,413	307,228	27,252	7,946	219,685	4,543	3,771	875,838
Accumulated Depreciation and Impairment								
As At 1st April, 2014	(30,304)	(44,043)	(10,749)	(41)	(57,759)	0	0	(142,896)
Reclassifications	0	276	(547)	0	297	(26)	0	0
Total	(30,304)	(43,767)	(11,296)	(41)	(57,462)	(26)	0	(142,896)
Depreciation charge	(5,110)	(8,649)	(3,331)	(19)	(5,489)	0	0	(22,598)
Depreciation written out to the Revaluation Reserve	0	1,540	0	0	0	0	0	1,540
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,103	0	0	0	0	0	3,103
Impairments written out to the Revaluation Reserve	0	404	0	5	0	0	0	409
Impairments recognised in the Revaluation Reserve	(29)	(1,547)	0	(12)	0	0	0	(1,588)
Reversal of Impairments recognised in the Surplus/Deficit	0	7,194	1,393	45	47	26	0	8,705
Impairments written out to Surplus/Deficit on the Provision of Services	0	8,261	0	(45)	0	0	0	8,216
Impairments recognised in the Surplus/Deficit on the Provision of Services	(13,624)	(2,182)	0	(397)	0	0	0	(16,203)
Assets Derecongised	0	0	2,254	0	0	0	0	2,254
Assets reclassified (to)/from Held for Sale	0	111	0	(56)	0	0	0	55
At 31st March 2015	(49,067)	(35,532)	(10,980)	(520)	(62,904)	0	0	(159,003)
Balance Sheet at 31st March 2015	256,346	271,696	16,272	7,426	156,781	4,543	3,771	716,835
Balance Sheet at 1st April 2014	263,031	273,562	16,347	7,807	155,600	4,720	4,582	725,649
Nature of Asset Holding								
Owned	256,346	271,696	9,768	7,426	156,781	4,543	3,771	710,331
Finance Lease	0	0	6,504	0	0	0	0	6,504
At 31st March 2015	256,346	271,696	16,272	7,426	156,781	4,543	3,771	716,835

* During the year the asset register was reviewed, and as a result minor asset reclassifications were necessary

Restated

Movements 2013/14

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2013	280,892	351,023	24,881	5,525	206,510	4,749	544	874,124
Additions and Acquisitions	12,890	8,191	2,215	0	6,849	0	4,038	34,183
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	3,659	0	12	0	0	0	3,671
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(46,883)	0	638	0	0	0	(46,245)
Assets Derecongised	0	(308)	0	(99)	0	(29)	0	(436)
Reclassifications	(447)	367	0	1,772	0	0	0	1,692
At 31st March 2014	293,335	316,049	27,096	7,848	213,359	4,720	4,582	866,989
Prior period adjustment **	0	1,556	0	0	0	0	0	1,556
At 31st March 2014 Adjusted	293,335	317,605	27,096	7,848	213,359	4,720	4,582	868,545
Accumulated Depreciation and Impairment								
As At 1st April, 2013	(10,594)	(78,739)	(6,359)	(114)	(52,088)	(29)	0	(147,923)
Depreciation charge	(5,208)	(8,494)	(3,544)	(26)	(5,327)	0	0	(22,599)
Depreciation written out to the Revaluation Reserve	0	14,316	0	0	0	0	0	14,316
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,080	0	0	0	0	0	3,080
Impairments written out to the Revaluation Reserve	0	2,427	0	(7,588)	0	0	0	(5,161)
Impairments recognised in the Revaluation Reserve	(9,383)	(8,740)	0	0	0	0	0	(18,123)
Reversal of Impairments recognised in the Surplus/Deficit	0	13,285	0	7,588	0	0	0	20,873
Impairments written out to Surplus/Deficit on the Provision of Services	0	19,973	0	0	0	0	0	19,973
Impairments recognised in the Surplus/Deficit on the Provision of Services	(5,119)	(1,204)	(846)	0	(344)	0	0	(7,513)
Assets Derecongised	0	308	0	99	0	29	0	436
Assets reclassified (to)/from Held for Sale	0	(255)	0	0	0	0	0	(255)
At 31st March 2014	(30,304)	(44,043)	(10,749)	(41)	(57,759)	0	0	(142,896)
Balance Sheet at 31st March 2014	263,031	272,006	16,347	7,807	155,600	4,720	4,582	724,093
Prior period adjustment **	0	1,556	0	0	0	0	0	1,556
Balance Sheet at 31st March 2014 Adjusted	263,031	273,562	16,347	7,807	155,600	4,720	4,582	725,649
Balance Sheet at 1st April 2013	270,298	272,283	18,522	5,411	154,422	4,720	544	726,200
Nature of Asset Holding								
Owned	263,031	273,562	9,155	7,807	155,600	4,720	4,582	718,457
Finance Lease	0	0	7,192	0	0	0	0	7,192
At 31st March 2014 Adjusted	263,031	273,562	16,347	7,807	155,600	4,720	4,582	725,649

** Prior Period Adjustment see Note 39

7. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2015	2014
	£000	£000
Cost or Valuation		
At 1st April	36,544	34,386
Ex Ad Waste Assets Incorporated in 2012/13	0	45
Reclassifications	(3,740)	(1,571)
Revaluation Increases/Decreases to Surplus/Deficit	(1,999)	3,593
Reversal of Losses to Surplus/Deficit	0	91
At 31st March	30,805	36,544
Depreciation and Impairments		
At 1st April	0	(255)
Reclassifications	0	255
At 31st March	0	0
Balance Sheet at 31st March	30,805	36,544

8. ASSETS HELD FOR SALE

	Council Dwellings & Garages	Other Property, Plant & Equipment	Investment Properties	Total
	£000	£000	£000	£000
At 1st April 2014	**232**	**0**	**571**	**803**
Assets newly classified as held for sale	384	727	3,428	4,539
Assets declassified as held for sale	(47)	0	(45)	(92)
Net Reclassifications	337	727	3,383	4,447
Revaluation gains	0	911	402	1,313
Revaluation losses	0	(139)	(209)	(348)
Net Revaluations	0	772	193	965
Assets sold	(569)	(1,000)	(1,990)	(3,559)
At 31st March 2015	0	499	2,157	2,656
At 1st April 2013	**283**	**1,790**	**1,701**	**3,774**
Assets newly classified as held for sale	447	41	758	1,246
Assets declassified as held for sale	0	(1,125)	(246)	(1,371)
Net Reclassifications	447	(1,084)	512	(125)
Revaluation gains	144	0	178	322
Revaluation losses	0	0	(400)	(400)
Net Revaluations	144	0	(222)	(78)
Assets sold	(642)	(706)	(1,420)	(2,768)
At 31st March 2014	232	0	571	803

9. INTANGIBLE ASSETS

	2015 Software Licences £000	2015 Development Expenditure £000	2015 Total £000	2014 Software Licences £000	2014 Development Expenditure £000	2014 Total £000
Balance at 1st April						
Gross carrying amounts	648	607	1,255	564	607	1,171
Accumulated amortisation	(294)	(380)	(674)	(181)	(293)	(474)
Net carrying amount	354	227	581	383	314	697
Additions	29	0	29	84	0	84
Amortisation for the period	(129)	(87)	(216)	(113)	(87)	(200)
Balance at 31st March	254	140	394	354	227	581
Comprising:						
Gross carrying amounts	677	607	1,284	648	607	1,255
Accumulated amortisation	(423)	(467)	(890)	(294)	(380)	(674)
Total	254	140	394	354	227	581

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy. The amortisation of £216k charged to revenue in 2014/15 (£200k in 2013/14) 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.

10. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at fair value. Further information is included in note 45.

	2015 £000	2014 £000
War stock	0	14
Banks / Building Society Deposits	0	2,007
Total	0	2,021

The Council has an investment in a wholly owned subsidiary called North East Wales Homes and Property Management (NEW Homes) accounted for at cost £1 in accordance with the accounting policy on subsidiaries. Note 30 provides further information on NEW Homes.

11. LONG TERM DEBTORS

	2015 £000	2014 £000
Other entities and individuals	2,072	1,879
Total	2,072	1,879

Analysis of long term debtors classified as 'Other entities and individuals' :-

	2015 £000	2014 £000
Renewal and improvement loans	1,669	1,571
First time buyer loans	100	100
Assisted car purchase loans	131	166
Affordable housing deposits	116	0
Private street works	44	42
Loan to NEW Homes (Housing Company)	12	0
Total	2,072	1,879

12. INVENTORIES

The Council holds total inventories of £1,038 (£1,202k in 2013/14) in the balance sheet as at 31st March 2015.

	2015 £000	2014 £000
Building Maintenance	112	115
Highways Maintenance	213	250
Fuel	41	34
Vehicle Maintenance	53	39
Rock Salt	328	425
Catering	120	134
Recycling Equipment	58	66
Leisure Centres	37	35
Miscellaneous	76	104
Total	1,038	1,202

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.

	2015 £000	2014 £000
Highways maintenance	357	261
Fleet fuel, grounds maintenance and vehicle maintenance	792	576
Total	1,149	837

13. SHORT TERM DEBTORS

	2015	2014
	£000	£000
Central government bodies	17,236	21,026
Other local authorities	4,859	3,155
NHS bodies	1,297	772
Public corporations and trading funds	2	3
Other entities and individuals	11,132	12,039
Council tax	2,589	2,741
	37,115	39,736
Less provision for impairment losses (note 19)	(3,379)	(2,760)
Total	33,736	36,976

14. SHORT TERM INVESTMENTS

The balance sheet total of £2,115k (£6,781k in 2013/14) is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash, amounting to £41,900k (£34,500k in 2013/14).

	2015	2014
	£000	£000
Investments (3 months – 365 days)	2,000	6,700
Accrued interest	115	81
Total	2,115	6,781

15. CASH AND CASH EQUIVALENTS

	2015		2014	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		5,000		4,600
Cash and cash equivalents	43,120		35,905	
Cash overdrawn	(5,441)		0	
		37,679		35,905
Total		42,679		40,505

16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2015	2014
	£000	£000
Accrued interest on long term external borrowing	1,103	1,100
Invest to Save loan (from Welsh Government)	398	300
Energy Efficiency Loans (from Salix Finance Ltd.)	54	54
Total	1,555	1,454

17. CREDITORS

	2015	2014
	£000	£000
Short Term		
Central government bodies	3,638	4,905
Other local authorities	5,584	7,786
NHS bodies	313	690
Public corporations and trading funds	18	48
Other entities and individuals	21,598	17,693
Total	31,151	31,122
Long Term		
Central government bodies	0	2,032
Other local authorities	787	0
Other entities and individuals	229	219
Total	1,016	2,251

18. GRANT INCOME

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

	2015	2014
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	145,253	153,602
Outcome Agreement Grant	1,453	1,465
Total Non Ringfenced Government Grants	146,706	155,067
Welsh Government (WG):		
Major Repairs Allowance	5,110	5,200
General Capital Grant	2,616	2,603
Regional Transport Plan	1,279	1,283
Additional School Improvement Grant	1,142	2,770
Learning in Digital Wales Grant	0	1,020
21st Century Schools	1,735	0
Other WG Grants	2,808	993
Other Capital Grants and Contributions	1,958	1,945
Total Capital Grants and Contributions	16,648	15,814
Total	**163,354**	**170,881**

	2015 £000	Restated 2014 £000	Original 2014 £000
Credited to Services			
WG			
Supporting People	6,456	6,620	6,620
DELLS Post 16	5,896	6,085	6,085
Foundation Phase	4,992	4,947	4,947
Learning Pathways	396	642	642
Flying Start	2,729	2,213	2,213
Families First	1,739	1,690	1,690
Pupil Deprivation	2,296	1,244	1,244
School Effectiveness	1,227	1,445	1,445
Concessionary Fares	2,047	2,214	2,214
Sustainable Waste Management	3,106	3,182	3,182
Substance Misuse	697	1,334	1,334
Intermediate Care Fund	1,269	0	0
Bus Services Support Grant	558	0	0
Other	(1,201)	233	233
Department of Work and Pensions	39,091	38,997	38,997
Arts Council Wales*	2,072	1,863	0
Other Grants and Contributions	14,023	9,226	9,226
Total	87,393	81,935	80,072

* Excluded in error from 13/14 accounts

Grants and Contributions Received in Advance

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

	2015 £000	2014 £000
Short Term		
Revenue Grants	1,778	1,462
Capital Grants	102	0
Revenue Section 106 Agreements	43	61
Capital Section 106 Agreements	63	58
Capital Contributions	433	0
Revenue Contributions	154	0
Total	**2,573**	**1,581**
Long Term		
Revenue Grants	354	395
Revenue Section 106 Agreements	549	519
Capital Section 106 Agreements	594	203
Total	**1,497**	**1,117**

19. PROVISIONS

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total (non current and current) of £6,413k incorporates the following balances :-

	2015	Movement Out	Movement In	2014
	£000	£000	£000	£000
Claims (staff)	9	0	0	9
Single Status / Equal pay	3,029	(6,057)	340	8,746
MMI Scheme of Arrangement	0	(383)	0	383
Aftercare of former landfill sites	1,067	(520)	485	1,102
Senior Management Restructure	0	(745)	0	745
Staff Termination Benefits	578	0	578	0
Claims Land Charges	130	0	130	0
Orphaned Site - Sandycroft	1,600	0	1,600	0
Total	6,413	(7,705)	3,133	10,985

- The staff claims provision covers the anticipated costs of various staff claims against the Council; no immediate calls against the provision are expected (non-current liability).
- The Single Status / Equal Pay provision provides the funds for the residual implementation and incentive payments made to staff under the single status agreement and funding for the potential costs associated with the settlement of historic equal pay cases, which includes the residual liability for existing claims (current liability).
- The provision in relation to the 'MMI Scheme of Arrangement' was created in 2012/13 following the decision taken by the board of MMI to trigger the scheme of arrangement on 13th November 2012.

  MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off was unlikely to be achieved then the scheme of arrangement would be triggered. All scheme Creditors would be subject to a percentage levy on all scheme liabilities paid to date and any future payments would be made at a reduced rate.

  The scheme administrator informed scheme Creditors that the levy will be 15% of claims paid to date, payable in February 2014. Flintshire, as the incumbent local government organisation, is responsible for paying the levy in relation to the former borough councils of Delyn and Alyn and Deeside, and its share of the former county council of Clwyd as agreed with the other North Wales Local Authorities.

  The levy was paid in full over 2013/14 and 2014/15 financial years.
- The £1,067k provides for the environmental aftercare costs for the former waste disposal sites at Standard, Buckley and Brookhill, Buckley, with £45k a current liability and £1,022 a non-current liability. The projected costs have been embodied in performance deeds with Natural Resources Wales (formerly the Environment Agency). These deeds form the basis of the Council's legal obligation to make financial provision for aftercare for 60 years from the date the landfill site was closed. The provision is revised by way of indexation each year in line with RPI, and reviewed for adequacy. The provision matches the legal obligation contained in the performance deeds.
- A Senior Management Restructure came into effect on 1st June 2014, which resulted in a number of senior managers leaving the Council's employment. A provision was created in the 2013/14 accounts to fund the termination benefits paid in 2014/15.
- The 2015/16 budget strategy included a review of the Council's workforce numbers and costs in order to making recurring revenue savings. The Council was sufficiently committed with some of its budget proposals at the balance sheet date to warrant the creation of a provision in 2014/15 for the termination benefits of staff leaving the Council's employment in 2015/16 (current liability).

- A group of property search companies are claiming refunds of fees paid to the Council to access land charges data. Proceedings have been issued and are being handled by solicitors jointly instructed by the LGA and WLGA on behalf of around 300 councils. A settlement has been agreed with payments due imminently. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present (current liability).
- A pharmaceutical company abandoned their premises in Sandycroft leaving substantial quantities of chemicals on site. Subsequently the company went into liquidation. In the interest of protecting the public, the Council and other statutory partners had to intervene and are in the process of implementing a phased plan to remove the risk to the public and restore the site. The provision reflects the best estimate of future liabilities at the balance sheet date. Financial support from Welsh Government has been received in year of £700k which has been credited to the Comprehensive Income and Expenditure Statement (current liability).

Current Provisions – Accumulated Absences

The provision for accumulated absences in 2014/15 is £3,296k (£3,376k in 2013/14).

	2015	Movement Out	Movement In	2014
	£000	£000	£000	£000
Accumulated absences	3,296	(371)	291	3,376
Total	3,296	(371)	291	3,376

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 annual leave entitlement which employees build up as they work. The Code requires that, the cost of providing holidays and similar benefits are 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 previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund annual leave entitlement and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Current Provisions - Provision for Impairment Losses (Bad Debts)

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

	2015	2014
	£000	£000
Housing rents	391	662
Council tax	797	862
Other debtors	2,191	1,236
Total	3,379	2,760

20. LONG TERM BORROWING

Analysis	Interest Rates Minimum %	Interest Rates Maximum %	2015 £000	2014 £000
By Loan Type (Fixed Rate)				
Salix Finance (Energy Efficiency)	Interest Free		135	189
Government (PWLB)	0.54	9.50	153,163	153,163
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government	Interest Free		337	398
Total			172,585	172,700
By Maturity				
Between 1 and 2 years			54	398
Between 2 and 5 years			1,681	1,789
Between 5 and 10 years			21,993	17,753
More than 10 years			148,857	152,760
Total			172,585	172,700

21. USABLE RESERVES

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in note 5.

Council Fund
The Council fund balance of £10,515k represents the value of unearmarked reserves available to the Authority (£11,161k in 2013/14).

Earmarked Reserves
Total earmarked reserves of £30,232k (£39,292k in 2013/14) include revenue service balances of £5,216 (£7,911k in 2013/14), the surpluses generated by locally managed schools of £2,379k (£2,198k in 2013/14), and various other specific reserves which includes:

- Service balances – represents the element of slippages that service departments have the right to carry forward for use in the subsequent financial year and other relevant specific income / underspends one-off in nature that extend over more than one year.
- School balances – this sum represents the element of balances released under the delegation of budgets to schools which remained unspent at the end of the financial year.
- Single status / equal pay – accumulated reserve to fund the costs of implementing the single status agreement and costs associated with the settlement of historic equal pay cases.
- Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects
- Benefits Equalisation – this reserve was introduced to guard against the potential volatility in Housing Benefit Subsidy.
- County Elections – reserve to fund the costs of future elections
- Supporting people – this reserve has been established to mitigate the impact of proposed reductions in grant funding by Welsh Government.
- Waste Disposal – this reserve is used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Countryside – reserve to fund future service costs.

- Winter Maintenance – the reserve has been set up as a contingency in the event of severe weather conditions
- Car Parking – funding from an increase in car parking fees set aside for use in agreement with Town Councils.
- Flintshire Insurance Fund – Flintshire County Council does not insure all risks with external insurers but instead has established an internal reserve to meet those uninsured risks.

Movement between earmarked reserves is summarised in the following table:-

	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Service balances	9,083	(6,999)	5,827	7,911	(6,592)	3,897	5,216
School balances	2,632	(2,788)	2,354	2,198	(2,332)	2,513	2,379
Single status/equal pay	25,653	(5,245)	3,046	23,454	(11,750)	1,160	12,864
Organisational Change	392	(392)	706	706	(1,306)	6,122	5,522
Benefits equalisation	1,119	0	0	1,119	(906)	0	213
County elections	88	(14)	34	108	(17)	63	154
Clwyd Theatr Cymru	(17)	0	42	25	(25)	26	26
Supporting people	1,493	0	18	1,511	0	0	1,511
Community equipment store	66	(46)	100	120	(4)	63	179
Building control	209	0	0	209	(111)	0	98
Waste disposal	708	(240)	0	468	(104)	35	399
Countryside	3	0	0	3	(3)	191	191
Flintshire Enterprise Ltd	139	(12)	0	127	(78)	48	97
Third party claims	87	0	0	87	(87)	0	0
Design fees	120	0	0	120	0	0	120
Winter maintenance	0	0	250	250	0	0	250
Car Parking	0	0	30	30	0	187	217
Insurance fund - MMI	160	(1)	171	330	(289)	17	58
Flintshire Insurance Fund	660	(152)	0	508	(669)	893	732
Clwyd Insurance Fund	9	(1)	0	8	(2)	0	6
Total	42,604	(15,890)	12,578	39,292	(24,275)	15,215	30,232

* 13/14 Totals restated, amounts incorrectly included school balances

Housing Revenue Account
The housing revenue account reserve cumulative balance of £1,510k (£1,662k in 2013/14) includes the 2014/15 HRA deficit of £152k (£269k (deficit) in 2013/14), as detailed on pages 78 and 79.

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.

22. UNUSABLE RESERVES

The details of movements on unusable reserves are as follows :–

Reserves	2015 £000	Restated 2014 £000
Revaluation reserve	57,858	60,536
Available-for-sale financial instruments reserve	0	(3)
Capital adjustment account	504,216	516,324
Financial instruments adjustment account	(7,545)	(7,912)
Pensions reserve	(333,974)	(258,417)
Equal pay account	0	(4,978)
Deferred Capital Receipt	116	0
Accumulated absences account	(3,296)	(3,376)
Total Unusable Reserves	217,375	302,174

Revaluation Reserve

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

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

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

	2015 £000	2015 £000	Restated 2014 £000	Restated 2014 £000
Balance at 1st April	60,536		52,739	
Opening Balance Adjustment	0		34	
		60,536		52,773
Upward revaluation of assets	5,423		35,461	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(5,250)		(25,198)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		173		10,263
Difference between fair value depreciation and historical cost depreciation	(1,531)		(2,334)	
Accumulated gains on assets sold or scrapped	(1,320)		(166)	
Amount written off to the capital adjustment account		(2,851)		(2,500)
Balance at 31st March		57,858		60,536

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.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(3)		(3)
Upward revaluation of investments	0		0	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	3		0	
		3		0
Balance at 31st March		0		(3)

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.

	2015	2014
	£000	£000
Balance at 1st April	(258,417)	(305,518)
Return on plan assets	42,220	(9,436)
Actuarial gains and losses	(111,644)	65,970
Net charges to surplus / defecit on provision of services	(31,345)	(31,337)
Employers' contributions payable to the scheme	25,212	21,904
Balance at 31st March	(333,974)	(258,417)

Capital Adjustment Account

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

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

Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2015		Restated 2014	
	£000	£000	£000	£000
Balance at 1st April		516,324		527,474
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(29,550)		(17,487)	
- Revaluation losses on PP&E	(9,978)		(30,496)	
- Amortisation of intangible assets	(216)		(199)	
- Revenue expenditure funded from capital under statute	(8,125)		(3,513)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(3,560)		(2,768)	
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	(1,774)		3,593	
	(53,203)		(50,870)	
Adjusting amounts writen out of the revaluation reserve	2,851		2,466	
Net written out amount of the cost of non-current assets consumed in the year		(50,352)		(48,404)
Capital financing applied in the year:				
- Use of the capital receipts reserve	1,283		3,711	
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	21,803		17,471	
- Intangible Assets - Additions	29		84	
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	7,658		7,686	
- Capital expenditure charged against the council fund and HRA balances	7,002		6,375	
HRA Capital Receipts Set Aside	570		371	
Long term debtors adjustments - Loan Repayments	(101)		0	
		38,244		35,698
Balance at 31st March		504,216		514,768
Prior period adjustment **				1,556
Balance at 31st March adjusted				516,324

** Prior period adjustment - see Note 39

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.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(7,912)		(8,381)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	367		469	
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		367		469
Balance at 31st March		(7,545)		(7,912)

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.

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(4,978)		(9,334)
(Increase) / decrease in provision for equal pay cases	4,978		4,356	
Cash settlements paid in the year	0		0	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		4,978		4,356
Balance at 31st March		0		(4,978)

Deferred Capital Receipts

Deferred capital receipts are loans that the Council has made to individuals on the affordable homes register. The loan is the individual's deposit to assist in the purchase of an affordable home in the county. The loan is repayable on the earlier of, when the house is sold or 25 years. The reserve holds the recognised future receipt.

	2015	2014
	£000	£000
Affordable homes deposits	116	0
	116	0

Accumulated Absences Account

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

	2015		2014	
	£000	£000	£000	£000
Balance at 1st April		(3,376)		(2,612)
Settlement or cancellation of accrual made at the end of the preceding year	3,376		2,612	
Amounts accrued at the end of the current year	(3,296)		(3,376)	
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		80		(764)
Balance at 31st March		(3,296)		(3,376)

23. NON ADJUSTING POST BALANCE SHEET EVENT – INTRODUCTION OF SELF FINANCING TO HRA

On 2nd April 2015 all 11 stock (Council housing) retaining authorities in Wales signed a voluntary agreement with the UK and Welsh Governments to change the financing arrangements for council housing in Wales.

The negative subsidy system in operation, which required Flintshire to make annual payments of circa £6m in negative subsidy to Welsh Government and on to UK Treasury, ended. This was replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council borrowed to exit the subsidy system as part of the agreement. The PWLB loans, called the settlement payment (a one-off lump sum payment classed as capital expenditure), was paid to Welsh Government (WG) and on to UK Treasury. For Flintshire this amounted to £79,248k.

The agreement is expected to generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £1,289k (£8,908k in 2013/14) include the following interest elements :

	2015 £000	2014 £000
Interest received	472	1,283
Interest paid	(9,316)	(14,336)

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015 £000	2014 £000
Purchase of property, plant & equipment, investment property and intangible assets	(32,158)	(34,267)
Purchase of short term and long term investments	6,721	11,031
Other payments for investing activities	(239)	(281)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	4,323	3,026
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	22,813	17,653
Net cash flows from investing activities	1,460	(2,838)

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015 £000	2014 £000
Cash receipts of short term and long term borrowing	337	698
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(492)	(557)
Repayment of short term and long term borrowing	(354)	(54)
Other payments for financing activities	0	0
Net cash flows from financing activities	(509)	87

27. OFFICERS' REMUNERATION

Regulation 9.3 of the Accounts and Audit (Wales) Regulations 2014 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee including payments on termination of employment, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000 :-

	2015		2014	
Remuneration Band	**Non-Schools**	**Schools**	**Non-Schools**	**Schools**
	No.	**No.**	**No.**	**No.**
£60,000 - £64,999	3	14	4	13
£65,000 - £69,999	3	6	3	5
£70,000 - £74,999	0	4	4	5
£75,000 - £79,999	0	1	3	1
£80,000 - £84,999	0	5	1	3
£85,000 - £89,999 *	0	2	1	1
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	0	0	0	1
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	1	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	0	0
	7	32	17	29

* 13/14 numbers restated to include an employee excluded in error

Information has been compiled on the basis of the requirements of the Accounts and Audit Regulations, and related CIPFA guidance. The band values do not include employer pension contributions, which for 2014/15 were accounted for at a rate of 14.1% for teachers and 23.15% for other employees.

Employees included in senior employee posts listed In the Senior Employee Emoluments table are not included in the table above (13/14 numbers restated).

The Accounts and Audit (Wales) Regulations 2014 also require disclosure of the ratio of remuneration between the Chief Executive and the median full time equivalent earner (£16,969); for 14/15 this was 1:7.73.

Senior Employee Emoluments

The Accounts and Audit (Wales) Regulations 2014 requires disclosure of the individual remuneration details for senior employees by post where the salary is between £60,000 and £150,000 and by name where the salary exceeds £150,000. Senior employees for the purpose of the disclosure are the chief executive, chief officers, statutory officers and persons for whom the chief executive is directly responsible.

NOTES TO THE CORE FINANCIAL STATEMENTS

During the year the Authority restructured its Senior Management Team, with the posts of Directors and Heads of Service over 2 tiers, replaced with a single tier of Chief Officers. The note reflects this transition.

Post Title	Note	Remuneration (Excluding Employer's Pension Contributions) £	Employer's Pension Contributions £
2014/15			
Chief Executive	1	131,233	32,967
Chief Officer People & Resources		78,181	18,099
Chief Officer Governance	2	80,780	18,701
Chief Officer Education & Youth	7	97,328	22,531
Chief Officer Social Care	7	97,328	22,531
Chief Officer Community & Enterprise	3	82,403	19,076
Chief Officer Planning & Environment	6	78,949	18,277
Chief Officer Streetscene & Transportation		78,181	18,099
Chief Officer Organisational Change 1	4	47,752	11,055
Chief Officer Organisational Change 2		78,181	18,099
Corporate Finance Manager (Section 151 Officer)		58,734	13,597
Director of Environment	5	106,643	7,405
Head of Finance	5	62,932	4,655
Head of ICT & Customer Services	5	86,947	10,214
		1,165,572	235,306

Post Title	Note	Remuneration (Excluding Employer's Pension Contributions) £	Employer's Pension Contributions £
2013/14 (comparative information)			
Chief Executive	1	131,233	30,856
Director of Environment		97,328	21,899
Director of Community Services		97,499	21,937
Director of Lifelong Learning		97,328	21,899
Head of Finance		81,960	18,441
Head of Legal and Democratic Services	2	78,825	17,736
Head of Human Resources and Organisational Development		74,063	16,664
Head of ICT & Customer Services	3	82,600	18,585
		740,836	168,017

Note 1 : Remuneration does not include (a) £6,172 14/15 & £905 13/14 received for returning officer for local and national elections (with costs reimbursed by the respective Government for the latter) and (b) £5,000 received for Clerk to the North Wales Fire and Rescue Authoirty (costs reimbursed).

Note 2 : Remuneration includes amounts relating to role as Deputy Clerk to the North Wales Fire and Rescue Authority (costs reimbursed).

Note 3 : Remuneration includes amounts for additional responsibilties (Assistant Chief Executive for Organisational Change). Part year.

Note 4 : The Chief Officer Organisational Change 1 was not in post until August 2014, therefore the remuneration stated is not a full year total.

Note 5 : These posts were deleted as part of Senior Management restructure.

Note 6 : Remuneration includes amounts for additional responsibilies for Public Protection in role prior to Senior Management restructure. Part year.

Note 7 : Former Directors receiving pay protection under the Council's Organisational Change policy.

Exit Packages

The Council is required to disclose (in £20k bandings up to £100k and £50k bandings thereafter) the numbers of exit packages agreed and the cost of the packages to the authority in the financial year. The totals disclosed are made up of redundancy payments and pension strain (including teacher's pension lump sum payments).

Exit costs arising in 2015/16 which the authority is committed to incurring at the 31st March 2015 are also included in the disclosure.

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

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	61	31	95	5	156	36	1,270,196	196,497
£20,001 - £40,000	15	11	43	1	58	12	1,606,705	369,716
£40,001 - £60,000	7	1	13	0	20	1	967,505	50,272
£60,001 - £80,000	4	2	7	0	11	2	771,520	139,727
£80,001 - £100,000	1	1	2	0	3	1	255,687	90,203
£100,001 - £150,000	0	0	2	0	2	0	235,560	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	2	0	0	0	2	0	416,909	0
	90	46	162	6	252	52	5,524,082	846,415

The costs in the table above includes; payments made to the individual, and any payments made by the Council to the pension fund when an employee retires early without actuarial reduction in pension in accordance with the Council's employment policies which can be found on the Council's website.

28. MEMBERS' ALLOWANCES

Allowances totaling £1,366k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2014/15 (£1,336k in 2013/14).

	2015	2014
	£000	£000
Basic allowance	920	911
Special responsibility allowance	236	230
Employer's national insurance	80	80
Employer's superannuation	62	59
Members' expenses	68	56
	1,366	1,336

The allowances paid fall into the following bands :-

Allowance Band	2015 Number of Members	2014 Number of Members
£0 - £9,999	1	3
£10,000 - £14,999	35	36
£15,000 - £19,999	16	13
£20,000 - £24,999	7	9
£25,000 - £29,999	4	3
£30,000 - £34,999	4	3
£35,000 - £39,999	2	2
£40,000 - £44,999	1	1
£45,000 - £49,999	0	0
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	1
	71	71

29. RELATED PARTIES

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

Welsh and Central Government
Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties such as council tax bills and housing benefits. Grants received from Welsh and other Government departments are set out in the subjective analysis in note 41.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2014/15 is shown in note 28.

The Council appoints members to some external charitable and voluntary bodies, or Members have disclosed a link to organisations, public bodies and authorities. The total transactions with bodies under this heading during 2014/15 are as follows:

- Payments £698k (£41k in 2013/14)
- Receipts £65k (£9k in 2013/14)
- Amounts owed by the Council £39k (£0k in 2013/14)
- Amounts owed to the Council £10k (£0k in 2013/14)

Members have declared an interest or relationship in companies or businesses which may have had dealings with the Council. The total payments made to companies under this heading during 2014/15 and amounts outstanding at 31st March are as follows:

- Payments £192k (£331k in 2013/14)
- Receipts £1k (£0k in 2013/14)
- Amounts owed by the Council £4k (£11k in 2013/14)

Members have declared some personal transactions with the Council. The total transactions under this heading during 2014/15 are as follows:

• Payments	£16k	(£0k in 2013/14)
• Receipts	£1k	(£0k in 2013/14)

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.

Officers

Senior Officers have declared, as required and where appropriate, an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Council. The total transactions with such bodies during 2014/15 are as follows:

• Payments	£418k	(£780k in 2013/14)
• Receipts	£0k	(£10k in 2013/14)

Other Public Bodies

Clwyd Pension Fund

The Council is the administering authority for the Clwyd Pension Fund. Details of transactions with the Clwyd Pension Fund are provided within the Pension Fund accounts on page 107.

Teachers Pensions Agency

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 46.

North Wales Police and Crime Commissioner and North Wales Fire Authority

Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts and levies paid to the North Wales Police and Crime Commissioner and the North Wales Fire and Rescue Authority amounted to £21,017k (£20,398k in 2013/14).

Community / Town Councils

Total precepts paid to the 34 community/town councils amounted to £2,387k (£2,323k in 2013/14).

Betsi Cadwaladr University Local Health Board

The Betsi Cadwaladr University Health Board combines the North Wales NHS Trust (previously North East Wales NHS Trust and Conwy & Denbighshire NHS Trust), the North West Wales NHS Trust, and the six Local Health Boards of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham. Transactions with Betsi Cadwaladr University Local Health Board for related healthcare activities during 2014/15 were as follows:

• Payments	£2,627k	(£1,975k in 2013/14)
• Receipts	£5,388k	(£3,640k in 2013/14)
• Amounts owed by the Council	£312k	(£704k in 2013/14)
• Amounts owed to the Council	£1,907k	(£743k in 2013/14)

Welsh Joint Education Committee

• Payments	£421k	(£476k in 2013/14)

Welsh Local Government Association

• Payments	£107k	(£130k in 2013/14)
• Receipts	£16k	(£8k in 2013/14)
• Amounts owed to the Council	£0k	(£6k in 2013/14)

30. NORTH EAST WALES HOMES AND PROPERTY MANAGEMENT

On 3rd April 2014 the Council established a new company, North East Wales Homes and Property Management (NEW Homes). NEW Homes will own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.

NEW Homes is a company limited by shares, wholly owned by the Council (1 at £1 par value), established under section 95 of the Local Government Act 2003. The Council has a high level of control over NEW Homes as the single shareholder approving:

- the issue of share capital
- the distribution of trading surplus
- annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

The risks associated with ownership of NEW Homes have been identified and are managed to an acceptably low level. The Council receives regular progress updates from the Board. At this early stage in NEW Homes' development the effects it has had on the Council's financial position, performance and cash flow are not material. Furthermore, in the unlikely event that NEW Homes made a loss, as it is a company limited by shares the losses would be recovered from selling its assets.

Further information on NEW Homes is available on its website www.northeastwaleshomes.co.uk, where its accounts for the year ended 31st March 2015 have been published showing a profit of £15k.

NEW Homes balance sheet shows that it owns non-current assets, these equate to 15 properties in total donated by private developers for £1 each under section 106 agreements to provide affordable housing. These agreements between developers and local planning authorities are negotiated as part of a condition of planning consent and enable local authorities to negotiate contributions towards a range of infrastructure and services, including affordable housing.

10 properties were donated to the Council in 2013/14 with a market value of £1,136k as at 31st March 2014. These properties were transferred to NEW Homes during 2014/15 at £1 each. A further 5 have been donated from developers to NEW Homes in 2014/15, bringing the total to 15 with a market value of £2,145k.

The Council and NEW Homes enter into a nomination rights agreement in respect of each property, which entitles the Council to select every tenant, and uses this to house people from the Flintshire affordable housing register.

31. AUDIT FEES

Total audit and inspection fees due during the year amounted to £417k (£475k in 2013/14). External audit services were provided by Wales Audit Office.

	2015 £000	2014 £000
Fees for the accounts	216	216
Fees for the Local Government Measure	105	138
Fees for grants	96	121
	417	475

Under the Public Audit Wales Act 2013 the Wales Audit Office is no longer able to hold reserves. As a consequence, the Wales Audit Office paid the Council a redistribution of accumulated reserves of £71,992 in respect of prior year audit fees. The redistribution of accumulated reserves has not been reflected in the above figures.

32. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £2,080k (£2,348k in 2013/14).

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. No further income was received from Welsh Government during 2014/15 (£2,333k in 2013/14) with payments against the brought forward sum amounting to £435k (£2,060k in 2013/14) of which Flintshire County Council received £185k (£340k in 2013/14).

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant to support bus and community transport services in the region £6,176k (n/a in 2013/14). Intermediate Care Fund to fund promote integrated working across health, social care, housing and the third sector £8,792k (n/a in 2013/14).

33. 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.

	2015	2014
Partnership	**£000**	**£000**
Gross expenditure	1,052	1,048
Gross income	(1,116)	(1,148)
(Surplus) / deficit for year	(64)	(100)
Contribution to Budget		
Flintshire County Council	391	412

Unit 3, which is situated within Flintshire, is jointly owned by Flintshire County Council (50.25%) and Wrexham County Borough Council (49.75%), and has been valued at £1,011k; the premises are included in Flintshire County Council's balance sheet (as host partner):-

	Gross £000	Net £000	%
Flintshire County Council	508	505	50.25
Wrexham County Borough Council	503	499	49.75
	1,011	1,004	100.00

34. JOINT ARRANGEMENTS

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

- North East Wales Community Equipment Service (with Wrexham)
- North East Wales Food Waste Hub (with Conwy and Denbighshire)
- North East Wales Sensory Support Service (with Wrexham and Denbighshire)
- North Wales Adoption Service (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- North Wales Residual Waste Treatment Project (with Anglesey, Conwy, Denbighshire and Gwynedd)
- North Wales Procurement Partnership (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- North Wales Emergency Planning Service (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- Welsh Penalty Processing Partnership (10 Local Authorities across Wales)
- Taith [Developing North Wales Transport Strategy] (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- GwE [North Wales Regional School Effectiveness and Improvement Service] (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- Clwydian Range & Dee Valley Area of Outstanding Natural Beauty (AONB) (with Denbighshire and Wrexham)

Flintshire County Council is the host partner for the North East Wales Community Equipment Service (details of which are provided in note 33), the North Wales Residual Waste Treatment Project (NWRWTP), and Taith.
Separate (joint committee) financial statements are prepared for NWRWTP (www.nwrwtp.org), Taith (www.taith.gov.uk), GWE (www.gwynedd.gov.uk) and Clwydian Range & Dee Valley AONB (www.denbighshire.gov.uk). The 2014/15 joint committee statements record:-

				FCC Share	
	2015	**2014**		**2015**	**2014**
Gross Expenditure	**£000**	**£000**	**Expenditure - allocation basis**	**£000**	**£000**
NWRWTP	419	790	Equal shares	85	158
TAITH	113	13,030	Pro rata to population	28	1,860
GWE	9,311	4,088	Pro rata to pupil population	2,093	915
Clwydian Range & Dee Valley AONB	400	n/a	Management costs - equal shares Activity costs - geographical area	27	n/a

Flintshire County Council's share of the income and expenditure for NWRWTP and Taith is recorded in the Net Cost of Services in the Comprehensive Income and Expenditure Statement in line with the accounting policy for Joint Committees.

35. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The Council administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2015 was £79k (£96k in 2013/14) and is not included 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 2015 the fund balance was £564k (£562k in 2013/14).

The Social Services portfolio - 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 2015 was £4,143k in 400 separate accounts (£3,439k in 415 accounts in 2013/14).

36. CONTINGENT LIABILITIES

- During 2013/14 the Council agreed a settlement rate in relation to a number of equal pay claims registered in the Employment Tribunal and a methodology for dealing with potential claims with trade unions. A significant number of claims have been settled as a result of the agreement, the costs of which were met from the Equal Pay/Single Status reserve. There are some residual claims that are in the process of being settled. Once concluded, this will protect the Council from any on-going equal pay liabilities.

  There maybe a very small residual equal pay risk where claimants opt not to settle or where employees choose not to sign an agreement to waive their equal pay rights. In these cases the Council will consider its options for achieving potential settlement.

  The Council is aware that the outcome of the Birmingham City Council case (2012) may increase the potential liability costs as claims may now be brought for up to 6 years, rather than 6 months (as was the case previously). There have been no historical claims lodged as a result of the Birmingham case in Flintshire and very few such claims lodged across Wales and on that basis, the risk is viewed as minimal.
- Further to the provision in relation to the 'Claims – Land Charges' in Note 19. Some of the claimants have also claimed against all English and Welsh authorities for alleged anti-competitive behavior. It is not clear what the value of any such claims would be against the Council. Negotiations are underway at present with a view to resolving these claims. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.
- In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, 7 former waste disposal sites within the county, will be considered and the condition of each assessed in due course. The assessments may conclude that liability for carrying out some or all of any necessary remediation works will be the Council's responsibility.

  Assessments at 2 sites are nearing conclusion, and are indicating that remediation work may be necessary. The Council is in the process of developing options for the remediation works.
- Further to the provision in relation to the 'MMI Scheme of Arrangement' in Note 19, the Council recognises that any future payments made by MMI after the imposition of the initial levy will be made at the reduced rate of 85% and has created an earmarked reserve to fund the 15% that the Council in any future claim settled will need to fund. The projection of future claims is uncertain because of the latent nature of many of the claims that MMI is still receiving. The levy is subject to review at least once every 12 months by the scheme administrator. Despite setting an initial levy of 15%, when modelling projected outcomes for the solvent run-off of MMI, the administrator indicated that the levy could range between 9.5% and 28%. In MMI's annual report and accounts for year ended 30th June 2014 the administrator decided not to increase the levy, although the run-off projection showed an increased deficit position.
- Flintshire is the legislative successor body in respect of all abuse claims relating to the former Clwyd County Council. A number of claims continue to be brought by former children in care. In some cases the Council's insurers were not on cover and so the Council may need to fund any such claim that is successful.
- A company is claiming against the Council based on the actions of a former employee. The case is complex and scheduled to be heard in the High Court in early 2016. Based on the outcome of the case the Council could have to pay all, some or none of the claim.

37. CONTINGENT ASSETS

Section 106 of the Town and Country Planning Act 1990 allows legal agreements as part of planning approval that commits the developer to undertake works or in-kind contributions towards a variety of infrastructure or services. An affordable housing scheme called 'Shared Equity' is one such commitment, the developer makes a number of properties available for purchase by those on the affordable housing register at 70% of the market value. The remaining 30% share in the properties is transferred to the Council in the form of a legal charge against the property. At any point in the future the homeowner can; redeem the Council's 30% share, or sell the property. The first call being a sale to others on the affordable housing register, if after a set period the property does not sell it can be sold on the open market. It is probable that the Council will benefit in the form of capital receipts in the future from these agreements, however the receipt must be used for the provision of affordable housing under the legal agreement.

38. PRIOR PERIOD ADJUSTMENT – CAPITAL EXPENDITURE ON NON CURRENT ASSETS

In 2013/14 the Council reviewed the accounting procedure for capital expenditure incurred on non-current assets. Expenditure is added to the assets value on the balance sheet which is subsequently reviewed and revalued or impaired in year as necessary.

Total impairment was charged to the Comprehensive Income and Expenditure Statement (CIES) incorrectly. The accounting for the impairment should have taken into account any existing Revaluation Reserve balance on the affected assets and in such cases the impairment charged to the Revaluation Reserve initially, before then taking any remaining impairment charge to the CIES. (The adjustment in relation to Council Fund assets is £3.486m and £3.774m for HRA assets).

In line with the Code of Practice on Local Authority Accounting, the Council has restated the 2013/14 financial statements (outlined below) and the adjustment has been applied to comparator notes throughout the Statement of Accounts. Procedures for 2014/15 have been updated.

Balance Sheet restatement, net impact is nil:-

	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Revaluation Reserve	67,796	60,536	(7,260)
Capital Adjustment Account	507,508	514,768	7,260

Comprehensive Income & Expenditure Statement, net impact is nil:-

	Gross Expenditure			Net Expenditure		
	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Adult Social Care	55,495	55,263	(232)	47,272	47,040	(232)
Central services to the public	3,299	3,285	(14)	1,945	1,931	(14)
Eductaion and children's services	178,902	176,273	(2,629)	150,698	148,069	(2,629)
Cultural and related services	25,046	24,942	(104)	13,902	13,798	(104)
Environmental and regulatory services	24,468	24,366	(102)	17,518	17,416	(102)
Planning services	7,412	7,381	(31)	4,131	4,100	(31)
Highways and transport services	28,982	28,861	(121)	18,597	18,476	(121)
Housing - Council Fund	60,724	60,471	(253)	15,252	14,999	(253)
Housing - HRA	38,490	34,716	(3,774)	10,269	6,495	(3,774)
(Surplus)/deficit on the provision of services				30,369	23,109	(7,260)
(Surplus)/deficit arising on revaluation of non current assets				(17,523)	(10,263)	7,260

	Council Fund Balance			Housing Revenue Acc Balance			Unusable Reserves		
	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Movement in Reserves Statement									
(Surplus)/deficit on the provision of services	(18,039)	(14,553)	3,486	(12,330)	(8,556)	3,774	0	0	0
Other comprehensive income and expenditure	0	0	0	0	0	0	74,057	66,797	(7,260)
Adj between accounting and funding basis under regulations	16,626	13,140	(3,486)	12,053	8,279	(3,774)	(27,806)	(20,546)	7,260
Note 5 Adj between accounting and funding basis under regulations									
Charges for depreciation and impairment on non current assets	6,682	3,196	(3,486)	18,065	14,291	(3,774)	(24,747)	(17,487)	7,260

	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Cash Flow Statement			
Surplus/(deficit) on the provision of services	(30,369)	(23,109)	7,260
Adjustment to surplus or defecit on the provision of services for non cash movements	59,954	52,694	(7,260)
Note 22 Unusable Reserves			
Revaluation Reserve			
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(17,938)	(25,198)	(7,260)
Capital Adjustment Account			
Charges for depreciation and impairment on non current assets	(24,747)	(17,487)	7,260
Note 41 Segmental Reporting			
Amounts not reported to management	51,999	44,739	(7,260)
Depreciation, amortisation and impairment	19,563	12,303	(7,260)
Housing Revenue Account Income and Expenditure			
Depreciation and impairment of non-current assets	18,058	14,284	(3,774)

39. PRIOR PERIOD ADJUSTMENT – NON-CURRENT ASSETS – SCHOOLS

During the year the accounting policy on schools has been reviewed, this followed guidance and clarification on how to interpret the Code of Practice issued by CIPFA to all Local Authorities. The review has not resulted in material changes to the Council's accounts, however requires recognition of the land and buildings of the Foundation School, Ysgol Derwen, Higher Kinnerton on the Council's balance sheet.

The value of the non-current assets as at 31st March 2014, £1,556k have been included in property, plant and equipment on the balance sheet matched with a credit to the capital adjustment account. The 2013/14 balance sheet has been restated (below) and the adjustment has been applied to comparator notes throughout the Statement of Accounts.

	Original 2014 Accounts £000	Restated 2014 Accounts £000	Variance £000
Other land and buildings	272,006	273,562	1,556
Capital adjustment account	507,508	509,064	1,556

Note that the adjustments in notes 38 and 39 both affect the capital adjustment account, the combined restated figure for 2013/14 is £516,324k.

40. 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 2014/15 were as follows :-

	2015 £000	2014 £000
Total minimum revenue provision	7,660	7,686
Recharge to housing revenue account	(530)	(542)
	7,130	7,144

41. 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:

2014/15	CE £000	C&E £000	E&Y £000	Gov £000	OC £000	P&R £000	P&E £000	SS £000	S&T £000	Central and Corporate Finance £000	Total Excluding HRA £000	HRA £000	Total £000
Income													
Fees, charges & other	(152)	(43,747)	(10,226)	(2,301)	(16,385)	(792)	(3,239)	(8,402)	(16,276)	(16,142)	(117,662)	(33,231)	(150,893)
Government grants	(46)	(5,156)	(19,275)	(2)	(830)	0	(1,039)	(7,726)	(5,208)	(164)	(39,446)	6,216	(33,230)
Total	(198)	(48,903)	(29,501)	(2,303)	(17,215)	(792)	(4,278)	(16,128)	(21,484)	(16,306)	(157,108)	(27,015)	(184,123)
Expenditure													
Employee expenses	1,996	5,956	91,401	4,322	13,911	4,769	6,390	26,128	13,617	2,731	171,221	6,409	177,630
Other service expenses	1,313	55,703	35,334	6,470	12,082	1,022	3,308	48,169	37,509	38,350	239,260	20,797	260,057
Total	3,309	61,659	126,735	10,792	25,993	5,791	9,698	74,297	51,126	41,081	410,481	27,206	437,687
Final Outturn	3,111	12,756	97,234	8,489	8,778	4,999	5,420	58,169	29,642	24,775	253,373	191	253,564

2013/14	CE £000	C&E £000	E&Y £000	Gov £000	OC £000	P&R £000	P&E £000	SS £000	S&T £000	Central and Corporate Finance £000	Total Excluding HRA £000	HRA £000	Total £000
Income													
Fees, charges & other	(219)	(44,013)	(5,415)	(1,549)	(17,379)	(712)	(3,215)	(6,727)	(13,794)	(7,760)	(100,783)	(32,705)	(133,488)
Government grants	(72)	(5,042)	(18,636)	(20)	(941)	0	(1,249)	(6,362)	(5,795)	(30)	(38,147)	6,297	(31,850)
Total	(291)	(49,055)	(24,051)	(1,569)	(18,320)	(712)	(4,464)	(13,089)	(19,589)	(7,790)	(138,930)	(26,408)	(165,338)
Expenditure													
Employee expenses	1,219	6,056	86,661	4,869	13,864	5,074	6,891	26,100	14,249	258	165,241	6,175	171,416
Other service expenses	1,241	55,377	35,677	5,592	13,079	1,118	4,155	45,041	35,618	33,151	230,049	19,964	250,013
Total	2,460	61,433	122,338	10,461	26,943	6,192	11,046	71,141	49,867	33,409	395,290	26,139	421,429
Final Outturn	2,169	12,378	98,287	8,892	8,623	5,480	6,582	58,052	30,278	25,619	256,360	(269)	256,091

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.

	2014/15 £000	Restated 2013/14 £000
Final outturn	253,564	256,091
Add amounts not reported to management	92,066	44,739
Remove amounts reported to management not included in comprehensive income and expenditure statement	(78,726)	(23,760)
Net Cost of Services in Comprehensive Income and Expenditure Statement	266,904	277,070

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2014/15	Service Analysis £000	Not Reported to Management £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(150,893)	(10,430)	34,582	(126,741)	0	(126,741)
Interest and investment income	0	(4,105)	8,642	4,537	(4,577)	(40)
Income from council tax	0	0	0	0	(77,873)	(77,873)
Support Service recharges	0	(4,771)	4,771	0	0	0
Distribution from non-domestic rate pool	0	0	0	0	(47,689)	(47,689)
Government grants and contributions	(33,230)	0	1,584	(31,646)	(163,354)	(195,000)
Gain or loss on disposal of fixed assets	0	0	0	0	(499)	(499)
Total Income	(184,123)	(19,306)	49,579	(153,850)	(293,992)	(447,842)
Employee expenses	177,630	558	0	178,188	0	178,188
Other service expenses	260,057	12,051	(48,679)	223,429	418	223,848
Support Service recharges	0	43,002	(43,002)	0	0	0
Depreciation, amortisation and impairment	0	39,712	0	39,712	0	39,712
Interest payments	0	16,049	(36,624)	(20,575)	25,193	4,618
Precepts & levies	0	0	0	0	23,404	23,404
Total operating expenses	437,687	111,372	(128,305)	420,754	49,015	469,770
Surplus or deficit on the provision of services	253,564	92,066	(78,726)	266,904	(244,977)	21,928

Reconciliation to Subjective Analysis 2013/14	Restated Service Analysis £000	Not Reported to Management £000	Not Included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(133,488)	0	0	(133,488)	0	(133,488)
Interest and investment income	0	0	0	0	(9,103)	(9,103)
Income from council tax	0	0	0	0	(75,006)	(75,006)
Distribution from non-domestic rate pool	0	0	0	0	(46,872)	(46,872)
Government grants and contributions	(31,850)	0	0	(31,850)	(170,881)	(202,731)
Gain or loss on disposal of fixed assets	0	0	0	0	(200)	(200)
Total Income	(165,338)	0	0	(165,338)	(302,062)	(467,400)
Employee expenses	171,416	0	0	171,416	0	171,416
Other service expenses	250,013	3,043	5,633	258,689	402	259,091
Support Service recharges	0	29,393	(29,393)	0	0	0
Depreciation, amortisation and impairment	0	12,303	0	12,303	0	12,303
Interest payments	0	0	0	0	24,978	24,978
Precepts & levies	0	0	0	0	22,721	22,721
Total operating expenses	421,429	44,739	(23,760)	442,408	48,101	490,509
Surplus or deficit on the provision of services	256,091	44,739	(23,760)	277,070	(253,961)	23,109

42. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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.

	2015 £000	2014 £000
Capital Investment		
Property, plant and equipment	32,129	34,183
Intangible assets	29	84
REFCUS (see page 29)	8,243	3,792
	40,401	38,059
Sources of Finance		
Capital receipts	(1,282)	(3,711)
Capital grants and contributions	(21,803)	(17,471)
Capital reserves / CERA	(7,031)	(6,459)
	(30,116)	(27,641)
Increase/(decrease) in capital financing requirement	10,285	10,418
Increase in supported borrowing	4,316	4,263
Increase in other (unsupported) borrowing	5,969	6,155
	10,285	10,418

43. FUTURE CAPITAL COMMITMENTS

Significant commitments under capital contracts (in excess of £250k) at 31st March 2015 were as follows:

	Contracts Sum £000	Payments to date £000	Amount Outstanding £000
Treuddyn - Gas Infill	442	147	295
Flint - Towerblocks Refurbishment	3,600	80	3,520
Saltney Broughton ATR - Civil Works	356	306	50
Holywell, Community 3-16 Campus	26,732	2,286	24,446
Shotton, Ty Fynnon	5,180	4,900	280
Microsoft Enterprise Agreement	1,939	1,077	862
	38,249	8,796	29,453

44. 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	2015 £000	2014 £000
Vehicles, plant and equipment	6,504	7,192

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 £529k is due to be paid during the next 12 months (£492k equivalent for the previous financial year).

	2015 £000	Repaid £000	New £000	2014 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	529	492	0	492
Non-current	6,531	0	0	7,060
	7,060	492	0	7,552
Finance costs payable in future years	4,094	677	0	4,771
Minimum lease payments	11,154	1,169	0	12,323

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	
	2015 £000	2014 £000	2015 £000	2014 £000
Not later than one year	1,159	1,169	529	492
Later than one year and not later than five years	5,061	5,340	2,715	2,731
Later than five years	4,934	5,814	3,816	4,329
	11,154	12,323	7,060	7,552

Operating Leases

In 2014/15, operating lease rentals paid amounted to £1,498k (£1,692k in 2013/14).

Asset Classification	2015 £000	2014 £000
Land	39	40
Buildings	162	179
Vehicles, plant and equipment	1,297	1,473
	1,498	1,692

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

	Land	Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000	£000
Not later than one year	38	138	754	930
Later than one year and not later than five years	149	479	1,122	1,750
Later then five years *	936	1,304	0	2,240
	1,123	1,921	1,876	4,920

* Any open ended agreements are calculated to 2023/24 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 2014/15, lease rentals receivable amounted to £2,720k (£2,785k in 2013/14).

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

	Land	Buildings	Total
	£000	£000	£000
Not later than one year	194	2,162	2,356
Later than one year and not later than five years	667	5,690	6,357
Later then five years *	8,297	8,678	16,975
	9,158	16,530	25,688

* Any open ended agreements are calculated to 2026/27 in line with the general average life of the longest leases

Finance Leases

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

45. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2015	2014	2015	2014
	£000	£000	£000	£000
Financial liabilities at amortised cost	172,585	172,700	1,555	1,454
Payables	0	0	34,268	35,239
Total financial liabilities	172,585	172,700	35,823	36,693
Loans	1,885	1,571	2,115	6,781
Receivables	0	2,007	25,454	30,036
Available-for-sale financial assets	0	14	0	0
Total financial assets	1,885	3,592	27,569	36,817

The balance sheet value of trade payables and other payables amounted to £34,268k (£35,239k in 2013/14) as disclosed above, and trade receivables amounted to £25,454k (£30,036k in 2013/14).

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

	2015				2014			
	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	(10,212)	0	0	(10,212)	(10,063)	0	0	(10,063)
Impairment losses	0	0	0	0	0	64	0	64
Interest payable and similar charges	(10,212)	0	0	(10,212)	(10,063)	64	0	(9,999)
Interest income	0	506	0	506	0	506	0	506
Interest and investment income	0	506	0	506	0	506	0	506
Gain on revaluation			0				0	
Deficit arising on revaluation of financial assets			0				0	
Net gain/(loss)for the year	(10,212)	506	0		(10,063)	570	0	

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 2013/14 method). The 2014/15 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 2015 (in line with the 2013/14 method).

The 2014/15 Lender Option Borrower Option loans (LOBOs) figure has been calculated by discounting the cashflows over the whole life of the loans at the appropriate interest rate.

The fair value of shares and war stock are calculated using the value of undated gilts as published for 31st March 2015.

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:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
PWLB	154,039	254,343	154,036	212,051
LOBOs	19,177	27,045	19,177	23,224
	173,2[illegible]	28[illegible],388	173,213	235,275

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.

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and Receivables				
War stock	0	0	14	14
Long Term Investments	0	0	2,007	2,007
	0	0	2,021	2,021

All assets were repaid during 2014/15.

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

Risk - Liabilities

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

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; as at 31st March 2015, 6% of PWLB debt was variable rate, reducing the interest rate risk but increasing budget uncertainty. There is an option in the Treasury Management Strategy to have 35% variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 10% of debt to reach maturity in any one year.

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

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

Risk - Loans and Receivables

Long Term Investments -

- Investments of more than 1 year are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £10m for long term investments and additional procedures for authorisation by the Corporate Finance Manager.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies. The Council uses the following criteria, and investments are made subject to the monetary and time limits shown.

	Fitch	Moody's	S & P	Cash Limit	Time Limit
Banks, Building Societies, other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	Aaa	AAA	£7m each	5 years
	AA+	Aa1	AA+		5 years
	AA	Aa2	AA		4 years
	AA-	Aa3	AA-		3 years
	A+	A1	A+		2 years
	A	A2	A		1 year
	A-	A3	A-	£5m each	1 year
The council's current account bank (NatWest Bank plc) if rated below A-				£5m	next day
UK Building Societies without credit ratings				£1m each	1 year
Money Market Funds and similar pooled vehicles				£7m each	N/A
UK Central Government (irrespective of credit rating)				unlimited	5 years
UK Local Authorities				£7m each	5 years

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £498k. If rates fell by 1%, there would be a loss of income for the same amount.

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.

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.

46. PENSIONS

Pensions - Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme a multi-employer defined benefit scheme, providing teachers with specified benefits upon their retirement. For accounting purposes it is treated as a defined contribution scheme as the Council is unable to identify its share of assets and liabilities with sufficient reliability. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate.

The Council contributes to the scheme by making contributions based on a percentage of teachers' pensionable salaries. In 2014/15 the Council paid £7,367k (£7,391k in 2013/14), which represents 14.07% (average) of teachers' pensionable pay (14.1% in 2013/14). The contributions due in 2015/16 are estimated to be £6,781k, 15.06% of teachers' pensionable pay.

The Council is not liable to the scheme for any other entities obligations under the plan.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases, outside of the terms of the teachers' scheme. In 2014/15 these amounted to £539k (£526k in 2013/14) and are accounted for on a defined benefit basis as detailed in the following section.

Pensions - Other Employees

Officers employed by the Council are members of the Local Government Pension Scheme, the Clwyd Pension Fund, administered locally by Flintshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund Panel. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

Further information regarding the Clwyd Pension Fund accounts is provided on pages 83 to 109, and in the Clwyd Pension Fund Annual Report which is available from www.clwydpensionfund.org.uk.

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 :-

	2015		2014	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	16,748		18,300	
Past service cost/(gain)	59		38	
Curtailments/settlements	3,306		347	
Other Operating Expenditure -		20,113		18,685
Administration expenses	418		402	
Financing and Investment Income and Expenditure		418		402
Net interest expense	10,814		12,250	
		10,814		12,250
Net charge to surplus / deficit on the provision of services -		31,345		31,337
Other Comprehensive Income and Expenditure				
Remeasurement of the net defined benefit liability -				
Return on plan assets	(42,220)		9,436	
Actuarial (gains) and losses - experience (gain) or loss	0		(23,696)	
Actuarial (gains) and losses - demographic assumptions	0		16,095	
Actuarial (gains) and losses - financial assumptions	111,644		-58,369	
Net charge to other comprehensive income and expenditure -		69,424		(56,534)
Net charge to Comprehensive Income and Expenditure -		100,769		(25,197)
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(31,345)		(31,337)
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme		25,212		21,904
Net debit/(credit) to the movement in reserves statement		(6,133)		(9,433)

Pensions Assets and Liabilities in Relation to Retirement Benefits Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	2015	2014
	£000	£000
Present value of liabilities	(813,113)	(674,809)
Fair value of assets	479,139	416,392
Surplus/deficit in the scheme	(333,974)	(258,417)

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £333,974k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	2015	2014
	£000	£000
1st April	674,809	713,423
Current service cost	16,748	18,300
Interest cost	29,802	29,407
Contributions by scheme participants	5,147	5,020
Actuarial gains and losses - Experience gains or losses	0	(23,696)
Actuarial gains and losses - Demographic assumptions	0	16,095
Actuarial gains and losses - Financial assumptions	111,644	(58,369)
Benefits paid	(28,402)	(25,756)
Past service costs	59	38
Past service gains	0	0
Curtailments/settlements	3,306	347
31st March	813,113	674,809

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

	2015	2014
	£000	£000
1st April	416,392	407,905
Interest income	18,988	17,157
Administration Expenses	(418)	(402)
Return on plan assets	42,220	(9,436)
Employer contributions	23,561	20,269
Contributions by scheme participants	5,147	5,020
Benefits paid	(26,751)	(24,121)
31st March	479,139	416,392

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

	2015		2014	
	£000	£000	£000	£000
Equity investments:				
UK Quoted*	0		41,635	
Global Quoted*	35,935		24,984	
Global Unquoted	16,770		16,656	
US*	0		12,492	
Japan*	0		12,492	
Europe*	0		12,492	
Emerging Markets*	28,748		24,984	
Frontier*	4,791		4,164	
Far East*	0		24,984	
		86,244		174,883
Bonds:				
Overseas Other	62,288		58,295	
LDI*	110,202			
		172,490		58,295
Property:				
UK*	14,374		12,492	
Overseas	19,166		20,820	
		33,540		33,312
Cash:				
Cash Accounts*	14,374		12,492	
		14,374		12,492
Alternatives:				
Hedge Funds	19,166		16,656	
Private Equity	52,705		49,967	
Infrastructure	9,583		8,328	
Timber & Agriculture	9,583		8,328	
Commodities	9,583		12,492	
GTAA	71,871		41,639	
		172,491		137,410
		479,139		416,392

* Denotes classes of assets that have a quoted market price in an active market.

The scheme maintains positions in a variety of financial instruments which exposes it to a variety of financial risks including credit risk, counterparty risk, liquidity risk, market risk and exchange rate risk. Risk management procedures are annually reviewed and focus on the unpredictability of financial markets and implementing restrictions to minimize these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 31st March 2013. The significant assumptions used by the actuary are:-

	2015	2014
Mortality Assumptions		
Longevity at 65 for current pensioners -		
Men	23.4 yrs	23.3 yrs
Women	25.9 yrs	25.8 yrs
Longevity at 65 for future pensioners -		
Men	26.3 yrs	26.2 yrs
Women	29.3 yrs	29.2 yrs
Rate of inflation (Consumer Prices Index)	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%
Rate of increase in pensions	2.0%	2.4%
Rate for discounting scheme liabilities	3.3%	4.5%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below are calculated by altering relevant assumptions by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related; for example, if the scenario is to show the effect of higher than expected inflation, it might be reasonable to expect that nominal yields on corporate bonds will be higher too. However, the analysis isolates one effect from another.

	Impact of Increase on Defined Benefit Obligation	Impact of Decrease on Defined Benefit Obligation
	£000	£000
Longevity (increase / decrease in 1 year)	(15,974)	15,974
Rate of inflation (increase / decrease by 0.1%)	(15,061)	15,061
Rate of increase in salaries (increase / decrease by 0.1%)	(3,684)	3,684
Discount Rate (increase / decrease by 0.1%)	14,786	(14,786)

Increases in pensions are linked to increases to inflation (CPI) therefore the impact is the same for rate of inflation and rate of increases in pensions.

Impact on Cash Flows

Regulations governing the scheme require actuarial valuation to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the scheme's solvency, and the detailed provisions are set out in the Clwyd Pension Fund Funding Strategy Statement. The most recent valuation was carried out as at 31st March 2013, which showed a shortfall of assets against liabilities of £0.55 billion as at that date; equivalent to a funding level of 68%. The scheme's employers are paying additional contributions over a period of up to 20 years in order to meet the shortfall.

The total contributions expected to be made to the LGPS by the Council in the year to 31st March 2016 is £20.531m.

The duration of the defined benefit obligation for LGPS members is 19 years, 2014/15 (19 years 2103/14).

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2015

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Statement.

	2015		Restated 2014	
	£000	**£000**	**£000**	**£000**
Expenditure				
Repairs and maintenance		8,261		9,014
Management and supervision		3,925		3,873
Rents, rates, taxes and other charges		879		990
Housing revenue account subsidy payable		6,234		6,328
Depreciation and impairment of non-current assets		18,775		14,284
Debt management costs		10		11
Increase in bad debt provision		186		216
Total expenditure		38,270		34,716
Income				
Dwelling rents (gross)	27,588		27,118	
Non-dwelling rents (gross)	364		272	
		27,952		27,390
Charges for services and facilities		675		831
Total income		28,627		28,221
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		**9,643**		**6,495**
HRA share of Corporate and Democratic Core		72		48
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		197		(92)
Net cost of HRA services		9,912		6,451
Interest payable and similar charges		1,303		1,384
HRA investment income		(7)		(9)
Pensions interest cost		525		586
Net loss on the disposal of non-current assets		(289)		144
Total (surplus) / deficit for the year on HRA services		**11,444**		**8,556**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

for the year ended 31st March 2015

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

	Note (from core notes)	2015 £000	Restated 2014 £000
At 1st April		1,662	1,931
Surplus/(deficit) on the HRA income and expenditure statement		(11,444)	(8,556)
Total comprehensive income and expenditure		(11,444)	(8,556)
Adjustments between accounting and funding basis under regulations	**5**	11,292	8,279
Net increase/(decrease) before transfer to earmarked reserves		(152)	(277)
Transfers (to)/from earmarked reserves		0	8
Increase/(decrease) in year on the HRA		(152)	(269)
At 31st March		**1,510**	**1,662**

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

1. LEGISLATION

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

2. HOUSING STOCK

The type and number of dwellings at 31st March 2015 were:-

	2015	2014
Type	**No.**	**No.**
Houses	4,051	4,064
Flats	1,364	1,375
Maisonettes	108	145
Bungalows	1,796	1,796
	7,319	7,380

3. RENT ARREARS

The rents total of £951k (£1,165k in 2013/14) 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.

	2015	2014
Analysis of arrears	**£000**	**£000**
Rents		
Current tenants	774	744
Former tenants	177	421
	951	1,165

Provision for impairment losses (bad debts)	**£000**	**£000**
Opening provision	706	750
Written off in year	(464)	(260)
Increase in provision	186	216
	428	706

4. NON-CURRENT ASSET ACCOUNTING

Capital Financing

Housing revenue account capital expenditure of £11,994k (£12,874k in 2013/14) was financed as follows :-

	Capital Receipts	Capital Grants & Contributions	Revenue Contributions	Total
	£000	£000	£000	£000
Capital financing	0	5,110	6,884	11,994
	0	5,110	6,884	11,994

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,110k) is the 2014/15 MRA allocation figure of £5,110k (£5,200k in 2013/14). 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 2014/15 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £858k (£563k in 2013/14) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	2015	2014
	£000	£000
Council dwellings	858	501
Mortgages	0	2
Land sales	0	60
	858	563

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 £5,110k (£5,208k in 2013/14) is based on the 2014/15 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2015	2014	
	£000	£000	
Dwellings	5,099	5,196	(equating to the value of MRA)
Garages	11	12	
Plant and equipment	0	0	
	5,110	5,208	

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA dwellings impairment adjustment total of £13,629k was accounted for in 2014/15 (£10,779k in 2013/14) and no revenue expenditure funded from capital under statute (£0k in 2013/14).

5. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to the HRA is based on the employers' contributions made in year, so the real cost of retirement benefits is reversed out in the movement in reserves statement.

The HRA transactions in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:-

	2015		2014	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	834		857	
Curtailments/settlements	197		9	
Other Operating Expenditure -		1,031		866
Administration expenses	22		21	
Financing and Investment Income and Expenditure		22		21
Net interest expense	525		586	
		525		586
Total HRA Charge		1,578		1,473
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(1,578)		(1,473)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		1,173		949

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 set annually by the Clwyd Pension Fund Committee, consisting of eight elected Members and one employee representative, each with equal voting rights, access to training and to information. The Fund's investment management arrangements were implemented by eleven investment managers during 2014/15.

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 that 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 Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2015. Employee contributions are added to employer contributions which are set based on triennial actuarial funding valuations. The benefits of the scheme are also prescribed nationally by the 2013 Regulations (as amended). The last valuation was at 31st March 2013, the findings of which became effective on 1st April 2014. The valuation showed that the funding level decreased from the previous valuation (31st March 2010) from 72% to 68%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over an 18 year period. This implies an average employer contribution rate of 13.8% and a total payment of £32.6m per annum for deficit contributions, increasing at 4.1% per annum. The LGPS (Management and Investment of Funds) Regulations 2009 (as amended) contains rules governing the management of the Fund, Investment Managers, Investments and use of Fund money and restrictions on investments.

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

- Scheduled bodies, that are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies that are organisations which 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 2015 and 2014 is shown below:

	2015 No.	2014 No.
Active Members	15,941	16,133
Pensioners & Survivors		
Ex employees	9,272	8,805
Survivors	1,591	1,562
Other		
Preserved benefits/ Undecided	12,433	11,480
Frozen Refund	871	834
	40,108	38,814

The scheduled bodies which contributed to the Fund during 2014/15 are:

Unitary Authorities:	Flintshire, Denbighshire, Wrexham.
Educational Organisations:	Coleg Cambria, Glyndwr University.
Town and Community Councils:	Argoed, Coedpoeth, Connah's Quay, Hawarden, Rhosllanerchrugog, Buckley, Prestatyn, Offa, Mold, Caia Park, Rhyl, Shotton, Llanasa.
Other:	North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are:-

Other: Careers Wales, Cartref y Dyffryn Ceiriog, Compass Group UK, Denbighshire Voluntary Services, Bodelwyddan Castle Trust, Grosvenor Facilities Management, Wrexham Commercial Services..

Further information is available in the Clwyd Pension Fund Annual Report and Statement of Investment Principles which are presented to the Annual Joint Consultative Meeting for employers and member representatives that is held annually.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year end as at 31st March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 14 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 are accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees.
- Administration expenses are accounted for on an accruals basis. All Flintshire County Council 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

	Note	2015 £000	2015 £000	2015 £000	2014 £000	2014 £000	2014 £000
Contributions and Benefits							
Contributions receivable :							
From employers (Normal)	1	(29,434)			(27,393)		
From employers (Deficit)	1	(28,590)			(24,896)		
From employees or members	1	(14,929)			(14,688)		
			(72,953)			(66,977)	
Transfers in		(2,202)			(3,801)		
Other income		(3,726)			(1,918)		
			(5,928)			(5,719)	
				(78,881)			(72,696)
Benefits payable :							
Pensions	1	50,338			46,885		
Lump sums (retirement)	1	14,544			12,331		
Lump sums (death grants)	1	1,807			1,921		
			66,689			61,137	
Payments to and on account of leavers :							
Refunds of contributions		83			26		
Transfers out (individual)		1,788			2,919		
Transfers out (bulk)		0			242		
Other		165			77		
Expenses borne by the scheme	2	18,289			7,367		
			20,325			10,631	
				87,014			71,768
NET (ADDITIONS) WITHDRAWALS				8,133			(928)
Returns on Investments							
Investment income	4		(5,345)			(2,721)	
Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease]	4		(184,629)			(28,686)	
NET RETURNS ON INVESTMENT				(189,974)			(31,407)
NET DECREASE/(INCREASE) IN THE FUND				(181,841)			(32,335)
OPENING NET ASSETS OF THE SCHEME				1,213,567			1,181,232
CLOSING NET ASSETS OF THE SCHEME				1,395,408			1,213,567

CLWYD PENSION FUND ACCOUNTS

	Note	2015 £000		2014 £000	
Net Assets Statement					
Investment Assets :	**5**				
Managed fixed interest fund		172,749		174,002	
Managed overseas equity funds		247,289		281,343	
Managed multi strategy funds		205,260		115,487	
Property funds		103,522		97,780	
Infrastructure funds		34,128		29,636	
Timberland / Agricultural funds		26,207		22,382	
Commodity funds		24,962		32,084	
Private equity funds		142,808		139,799	
Hedge fund of funds		48,750		48,393	
Liability Driven Investment		329,101		227,459	
Opportunistic Funds		9,998		12,517	
			1,344,774		1,180,882
Cash	**7**	47,591		31,928	
			47,591		31,928
Current Assets :					
Due within 1 year	**8**	6,236		4,745	
			6,236		4,745
Current liabilities					
Due within 1 year	**8**	(3,193)		(3,988)	
			(3,193)		(3,988)
NET ASSETS AT 31st MARCH			1,395,408		1,213,567

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 eligible pensionable employees. The total contributions received during 2014/15 amounted to £58.024m (£52.289m in 2013/14) from employers and £14.929m (£14.688m in 2013/14) from employees.

The employers total comprised an amount of £29.434m (£27.393m in 2013/14) relating to the common contribution rate average of 13.8% paid by all employers and £28.590m (£24.896m in 2013/14) 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:-

	2015		2014	
	Benefits Payable	Contributions Receivable	Benefits Payable	Contributions Receivable
Scheduled Bodies	**£000**	**£000**	**£000**	**£000**
Flintshire County Council	24,610	24,648	20,783	23,373
Wrexham County Borough Council	20,241	21,789	19,906	20,474
Denbighshire County Council	14,895	17,549	13,942	16,567
Fund apportionment with:				
Gwynedd and Powys County Councils	2,353	0	2,371	0
Educational Organisations	2,982	6,737	2,616	4,482
Town and Community Councils	131	286	128	234
Others - scheduled bodies	605	1,359	583	1,152
Others - admitted bodies	872	585	808	695
	66,689	72,953	61,137	66,977

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

2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

The regulations permit the 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.

The cost of pension administration and investment management is shown in the following table. The main increase in oversight and governance expenses relates to new appointments of an external consultant and an independent advisor, both of whom have contributed to a major review of the Fund’s investment strategy and changes to the governance structure of the Fund. The consultancy fees also reflect the ongoing monitoring of the Long Term Management of Funding Risk mandate.

	2015 £000	2014 £000	
Oversight & Governance			
Employee Costs	218	182	
Support Services	33	52	
Supplies and Services	49	47	
Consultancy & Actuarial	750	377	
Performance	20	25	
Audit	37	35	
Legal	21	31	
	1,128	749	
Investment Management Fees			
Net Fund Management Fees	16,127	5,571	(see below)
Custody Fees	32	17	
	16,159	5,588	
Administration Costs			
Employee Costs	592	599	
Support Services	156	197	
Outsourcing	32	0	
Supplies & Services	222	234	
	1,002	1,030	
Total Fees	18,289	7,367	

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. For 2014/15, Funds are now required to identify all costs in addition to the Annual Management Charge from managers. The table below shows the breakdown of the £16.127m net fund management fees and also the equivalent for 2013/14 which, if restated, would total £15.359m.

	2015 £000	2014 £000
Fund Management Fees		
Core		
Annual Management Charge	6,152	5,571
Underlying Fees	833	773
Performance Fees	720	1,206
Transaction Fees	1,096	344
Non-Core		
Annual Management Charge	4,078	3,937
Underlying Fees	1,058	1,510
Performance Fees	1,759	1,404
Transaction Fees	431	614
	16,127	15,359

Non-Core refers to Property, Infrastructure, Private Equity, Opportunistic and Timber and Agriculture investments.

The above fees are defined as:

- Annual Management Charge (AMC): Fund managers apply an AMC to cover ongoing management costs such as portfolio managers and research managers. It does not usually include such costs as accounting and legal services.
- Performance Fees: these are any fee paid to a manager that is directly linked to achieving a specified outcome such as a benchmark such as the FTSE, a high watermark where the manager has to make up for any past underperformance or a hurdle rate which is a rate that has to be exceeded before a performance fee is paid. .
- Underlying Fees: certain types of investments (e.g. hedge funds and private equity) are commonly accessed through a fund of funds structure. Thus investments would be made by a manager who invests in other funds and it is the costs of these underlying funds that are included here.
- Transaction Fees: those 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.

As mentioned above, Investment management fees are based on valuations of the investments and thus will increase as the value of the investments increase. Total fees as a percentage of the net asset value of the fund was 1.16% for 2014/15 (1.27% 2013/14). A full review was undertaken during 2014/15 (Note 9 details) and whilst some of this will not be in place until 2015/16 it is estimated that, on a full year basis and current valuations, a reduction of approximately £1.47m will be realised.

3. INVESTMENTS AND PERFORMANCE

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

The Council uses the investment performance services of the WM Company. Their report for the financial year 2014/15 showed that the Fund achieved an overall return of +14.0% from its investments (+2.1% in 2013/14). This compares with the Fund's benchmark return of +13.9% for the year.

4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

Overview

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

Transactions and Return on Investments

Details of the 2014/15 investment transactions and the net profit on sales of £57.213m (£107.501m in 2013/14) together with investment income of £5.345m (£2.721m in 2013/14) are set out below. The unrealised profit for 2014/15, because of the change in the market value of investments, amounted to £127.416m (£78.815m loss in 2013/14). Therefore, the increase in market value of investments (realised and unrealised) is £184.629m (£28.686m in 2013/14).

	Market Value 2013/14	Purchases	Sales	Realised Gain (Loss)	Unrealised Gain (Loss)	Market Value 2014/15	Investment Income
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	174,002	0	0	0	(1,253)	172,749	0
Liability Driven Investment	227,459	0	0	0	101,642	329,101	0
Overseas Equities Active	281,343	15,824	(87,442)	36,439	1,125	247,289	0
Multi Strategy	115,487	85,133	0	0	4,640	205,260	0
Property	97,780	12,170	(20,303)	1,948	11,927	103,522	1,948
Infrastructure	29,636	3,368	(4,385)	163	5,346	34,128	901
Timber & Agriculture	22,382	4,055	(160)	0	(70)	26,207	101
Commodities	32,084	0	0	0	(7,122)	24,962	0
Private Equity	139,799	19,620	(31,226)	3,812	10,803	142,808	2,010
Opportunistic	12,517	2,207	(4,961)	638	(403)	9,998	231
Hedge Fund of Funds	48,393	0	(593)	169	781	48,750	0
	1,180,882	142,377	(149,070)	43,169	127,416	1,344,774	5,191
Cash	31,928	0	0	0	0	47,591	0
Fees within Pooled Vehicles	0	0	0	14,032	0	0	0
Interest	0	0	0	0	0	0	154
Currency	0	0	0	12	0	0	0
	31,928	0	0	14,044	0	47,591	154
Total 2014/15	1,212,810	142,377	(149,070)	57,213	127,416	1,392,365	5,345
2013/14	1,179,061	501,018	(505,043)	107,501	(78,815)	1,212,810	2,721

	Market Value 2012/13	Purchases	Sales	Realised Gain (Loss)	Unrealised Gain (Loss)	Market Value 2013/14	Investment Income
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	175,148	174,002	(174,002)	43,451	(44,597)	174,002	0
Liability Driven Investment	0	230,000	0	0	(2,541)	227,459	0
UK Equities Passive	122,222	0	(136,167)	33,414	(19,469)	0	0
Overseas Equities Active	288,379	50,042	(49,281)	1,202	(8,999)	281,343	8
Overseas Equities Passive	103,218	0	(111,813)	22,576	(13,981)	0	0
Multi Strategy	120,380	130	0	0	(5,023)	115,487	0
Property	82,260	16,727	(8,050)	6	6,837	97,780	1,790
Infrastructure	23,907	3,847	(1,622)	631	2,873	29,636	203
Timber & Agriculture	20,511	3,068	(413)	0	(784)	22,382	0
Commodities	34,588	0	0	0	(2,504)	32,084	0
Private Equity	138,137	17,523	(22,991)	629	6,501	139,799	328
Opportunistic	5,910	5,679	(292)	0	1,220	12,517	254
Hedge Fund of Funds	47,070	0	(412)	83	1,652	48,393	0
	1,161,730	501,018	(505,043)	101,992	(78,815)	1,180,882	2,583
Cash	17,331	0	0	0	0	31,928	0
Fees within Pooled Vehicles	0	0	0	5,579	0	0	0
Interest	0	0	0	0	0	0	138
Currency	0	0	0	(70)	0	0	0
	17,331	0	0	5,509	0	31,928	138
2013/14	1,179,061	501,018	(505,043)	107,501	(78,815)	1,212,810	2,721
2012/13	1,083,854	54,629	(45,161)	8,854	101,259	1,179,061	2,397

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

The book cost of the investments as at 31st March 2015 is £1,083.899m (£1,047.423m in 2013/14). The market value of investments as at 31st March 2015 is £1,344.774m (£1,180.882m in 2013/14); this can be analysed as follows:

By Continent

The UK holdings as at 31st March 2015 account for 32% of total investments at market value:

	2015	2014
	£000	£000
UK	431,010	323,254
Europe	114,087	118,047
Asia Pacific	0	76,598
North America	100,667	88,272
Emerging/ Frontier markets	93,653	83,023
Global Investments	605,357	491,688
	1,344,774	1,180,882

By Fund Manager

	2015		2014	
	£000	%	£000	%
BlackRock	50,330	4	50,922	4
Wellington	109,235	8	106,314	9
Aberdeen	9,380	1	85,391	7
Insight	329,101	24	227,459	19
Pioneer	1,324	0	1,539	0
Liongate	21,977	2	22,377	2
SSARIS	25,449	2	24,477	2
Duet	50,299	4	49,954	4
BlueCrest	34,409	3	32,032	3
Investec	163,885	12	71,768	6
Stone Harbor	172,749	13	174,002	15
Pyrford	59,973	4	32,533	3
Property	103,522	8	97,780	8
Infrastructure	34,128	2	29,636	3
Timber / Agriculture	26,207	2	22,382	2
Private Equity	142,808	10	139,799	12
Opportunistic	9,998	1	12,517	1
	1,344,774	100	1,180,882	100

By Listed /Managed

	2015 Listed Managed	2015 Listed	2015 Unlisted	2014 Listed Managed	2014 Listed	2014 Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	172,749	0	0	174,002
Overseas Equities	196,990	0	50,299	231,389	0	49,954
Multi Strategy	205,260	0	0	115,487	0	0
Property	36,018	0	67,504	31,738	0	66,042
Infrastructure	0	6,712	27,416	0	5,549	24,087
Timber / Agriculture	0	0	26,207	0	0	22,382
Commodities	0	0	24,962	0	0	32,084
Private Equity	0	1,969	140,839	0	2,809	136,990
Hedge Fund of Funds	21,977	0	26,773	22,377	0	26,016
Opportunistic	0	0	9,998	0	0	12,517
Liability Driven Investment	329,101	0	0	227,459	0	0
	789,346	8,681	546,747	628,450	8,358	544,074
			1,344,774			1,180,882

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.

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2015 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 2015.
- Unit trusts are valued at the bid market price.
- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31st March 2015. 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 vehicles' 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 judgments 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 of 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.

- 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 judgment in determining appropriate assumption.

The following tables show the position of the Fund's assets at 31st March 2015 and 31st March 2014 based upon this hierarchy.

	Market Value 2014/15	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Fixed Interest Securities	172,749	0	172,749	0
Liability Driven Investment	329,101	329,101	0	0
Overseas Equities Active	247,289	237,671	9,618	0
Multi Strategy	205,260	126,556	78,704	0
Property (1)	103,522	0	36,018	67,504
Infrastructure (1)	34,128	6,712	0	27,416
Timber & Agriculture (1)	26,207	0	0	26,207
Commodities	24,962	0	24,962	0
Private Equity (2)	142,808	1,969	0	140,839
Hedge Fund of Funds	48,750	0	45,833	2,917
Opportunistic Funds (2)	9,998	0	0	9,998
	1,344,774	702,009	367,884	274,881
Cash	47,591	47,591	0	0
Total 2014/15	1,392,365	749,600	367,884	274,881

(1) Property/ Infrastructure/ Timber and Agriculture - Various valuation bases are used. Direct fund holdings are valued based upon independent valuations, these have been classified as level 2, and some funds also often hold joint venture and partnership interests that are subject to a variety of valuation methodologies. To be conservative, these funds have been classified Level 3 unless the fund itself is quoted.

(2) Private Equity and Opportunistic Funds - Various valuation bases are used including 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.

Within the investments shown above as (1) or (2), whilst a small proportion are listed, the majority of the holdings are in unquoted investments; (£305.926m) compared to £293.756m in 2013/14. 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 judgment, 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.

	Market Value 2013/14	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Fixed Interest Securities	174,002	17	173,985	0
Liability Driven Investment	227,459	227,459	0	0
Overseas Equities Active	281,343	280,147	1,196	0
Multi Strategy	115,487	47,377	68,110	0
Property (1)	97,780	0	31,738	66,042
Infrastructure (1)	29,636	5,549	0	24,087
Timber & Agriculture (1)	22,382	0	0	22,382
Commodities	32,084	15,432	16,652	0
Private Equity (2)	139,799	2,809	0	136,990
Hedge Fund of Funds	48,393	0	45,809	2,584
Opportunistic Funds (2)	12,517	0	0	12,517
	1,180,882	578,790	337,490	264,602
Cash	31,928	31,928	0	0
Total 2013/14	1,212,810	610,718	337,490	264,602

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 (amended) 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).

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 2014. The Fund is currently transitioning assets, details of which are shown in Note 10. The Fund's Consultants, JLT Group determined that the resulting asset mix coupled with the requirements for certain fund managers to outperform their market indices should produce long-term returns of 7.2% with a volatility of around 11%. A key element in this review process was 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 – bespoke funds via a managed account platform

The Fund invests in a Long Term Management of Risk mandate. The strategy provides a framework to enable the Fund to effectively reduce risk when market conditions become more favourable (i.e. bonds become cheaper). The framework includes both market yield based triggers and funding level triggers. In particular, the manager makes use of Liability Driven Investment (LDI) techniques to increase the level of hedging within the Fund. This is achieved through the physical purchase of gilts along with repurchase agreements (repo). These allow the fund to gain "unfunded" exposure to gilts. The manager also replicates the Fund's developed passive equity allocation using Equity Total Return Swaps (TRS).

Roll risk

The LDI manager has the facility to use repurchase agreements, once these agreements mature, they need to be replaced with other contracts to maintain the relevant exposure (known as "rolling" the contract). This involves managing the operational risks raised to ensure sufficient resources are in place to arrange the trades and manage the process. In addition, as a contract matures, the underlying market for repo may become illiquid and at the extreme, the manager may not be able to roll the position. This is mitigated by structuring the overall repo over a range of maturity dates and diversifying counterparty exposure.

Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 24% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

Credit Risk

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

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

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

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 2015 were £47.591m (£31.928m at 31st March 2014). This was held as follows:

	Rating	2015 £000	2014 £000
Money Market Funds			
BlackRock	AAA	482	480
Bank of New York Mellon	AAA	3,374	928
Bank Deposit Accounts			
National Westminster Bank PLC	BBB+	43,715	30,500
Bank Current Accounts			
National Westminster Bank PLC	BBB+	20	20
		47,591	31,928

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 2015, the Fund's exposure to non-investment grade paper was £63.571million or 37% of the fixed interest portfolio (38.0% at 31st March 2014).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.
- The Fund also has residual "side pocketed" holdings with one manager, which are currently illiquid. Details of this holding is set out as follows:

	Book Cost £000	Market Value £000
Hedge Fund of Funds - Pioneer	795	1,324
	795	1,324

Liquidity Risk

The Pension Fund 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 and undertaken regularly by the Fund.

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 (including synthetic equity exposure) and bonds now comprise 54% of the Fund's total value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

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

The table below analyses the value of the Fund's investments at 31st March 2015 by liquidity profile.

	Market Value 2014/15	**1 Month**	**2 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**Closed - ended**	**Locked**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	172,749	172,749	0	0	0	0	0
Liability Driven Investment	329,101	329,101	0	0	0	0	0
Overseas Equities Active	247,289	239,744	0	7,545	0	0	0
Multi Strategy	205,260	205,260	0	0	0	0	0
Property	103,522	0	36,018	0	0	67,504	0
Infrastructure	34,128	6,712	0	0	0	27,416	0
Timber & Agriculture	26,207	0	0	0	0	26,207	0
Commodities	24,962	24,962	0	0	0	0	0
Private Equity	142,808	1,969	0	0	0	140,839	0
Hedge Fund of Funds	48,750	5,055	4,907	35,660	1,804	0	1,324
Opportunistic Funds	9,998	0	0	0	0	9,998	0
	1,344,774	985,552	40,925	43,205	1,804	271,964	1,324

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 was applied and all such investments have been designated "within 2-3 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 2014. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation.

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line 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 31st March 2015 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 expected risk is based on 10 year historic returns and volatility.

	Manager	Market Value 2014/15 £000	Benchmark	Target (Net)	Risk (<) %
Fixed Interest Securities	Stone Harbor	172,749	1 Month LIBOR	+1.0%	6.0
Liability Driven Investment	Insight	329,101	Liability / FTSE	Match	21.0
Foreign equities–active	Investec	103,337	MSCI AC World NDR	+2.5%	14.0
	Aberdeen	9,380	MSCI Frontier Markets	+1.5%	20.0
	Wellington	84,273	MSCI EM Free	+1.5%	21.0
	Duet	50,299	3 Month LIBOR	+4.5%	3.0
Multistrategy funds	BlackRock	50,330	3 Month LIBOR	+4.5%	20.0
	Investec	60,548	UK CPI	+4.6%	9.0
	BlueCrest	34,409	3 Month LIBOR	+4.0%	6.0
	Pyrford	59,973	RPI	+4.5%	9.0
Hedge fund of funds	Liongate	21,977	3 Month LIBOR	+5.0%	6.0
	SSARIS	25,449	3 Month LIBOR	+3.0%	6.0
	Pioneer	1,324	3 Month LIBOR	+3.0%	6.0
Commodity fund	Wellington	24,962	GCSI Equally Weighted	+1.0%	15.0
Property funds	Various	103,522	IPD Balanced PUTs	Exceed	5.0
Infrastructure funds	Various	34,128	3 Month LIBOR	+5.0%	10.0
Timber /Agricultural funds	Various	26,207	3 Month LIBOR	+5.0%	10.0
Private equity funds	Various	142,808	3 Month LIBOR	+5.0%	28.0
Opportunistic funds	Various	9,998	3 Month LIBOR	+5.0%	28.0
		1,344,774			

The risks associated with volatility in market values are mainly managed 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 (as amended). The Fund also adopts a specific strategic benchmark (details are 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 7.2% with a volatility of around 11%.

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

	Market Value 2015 £000	Managers No.	Funds No.	Properties / Companies Estimated No.
Real Assets	163,857	22	38	>280
Private Equity / Opportunistic	152,806	21	63	>4,000

Other Price Risk

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

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

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurer, WM Company, the fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	6.00%
Oveseas Equity	9.82%
Global Fixed Income	4.24%
Liability Driven Investing	12.82%
Alternatives	2.90%
Property	3.31%
Cash	0.01%

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	Percentage Change	Value on Increase	Value on Decrease
	2014/15	%	£000	£000
Cash and cash equivalents	47,591	0.01	47,596	47,586
Investment portfolio assets:-				
Global Equity inc UK	153,636	6.00	162,854	144,418
Overseas Equity	93,653	9.82	102,850	84,456
Global Fixed Income	172,749	4.24	180,074	165,424
Liability Driven Investing	329,101	12.82	371,292	286,910
Alternatives	492,113	2.90	506,384	477,842
Property	103,522	3.31	106,949	100,095
	1,392,365		1,477,999	1,306,731

Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2013/14	%	£000	£000
Cash and cash equivalents	31,928	0.02	31,934	31,922
Investment portfolio assets:-				
Global Equity inc UK	121,722	7.97	131,423	112,021
UK Equity	0	12.25	0	0
Overseas Equity	159,621	12.30	179,254	139,988
Global Fixed Income	174,002	5.34	183,294	164,710
Alternatives	627,757	2.93	646,150	609,364
Property	97,780	3.71	101,408	94,152
	1,212,810		1,273,463	1,152,157

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 recognises 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 rates may rise by 75 basis points (bps) over the next year. 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	
	2014/15	+75BPS	-75BPS
	£000	£000	£000
Cash and cash equivalents	3,856	29	(29)
Cash balances	43,735	328	(328)
	47,591	357	(357)

Asset Type	Carrying Value	Change in year in net assets available to pay benefits	
	2013/14	+75BPS	-75BPS
	£000	£000	£000
Cash and cash equivalents	1,408	11	(11)
Cash balances	30,520	229	(229)
	31,928	240	(240)

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 2015 and as at the previous year end:

Currency Exposure - Asset Type	Market Value 2014/15	Market Value 2013/14
	£000	£000
Global Fixed Income	172,749	174,002
Overseas Equities Active	247,289	281,343
Multi Strategy	205,260	115,487
Commodities	24,962	32,084
Hedge Funds	48,750	48,393
Property	37,867	38,374
Infrastructure	19,449	15,600
Timber / Agriculture	26,207	22,382
Opportunitistic	9,998	12,517
Private Equity	121,233	117,446
	913,764	857,628

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 2015, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.44%. For the period to 31st March 2014, this was calculated to be 5.06%.

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

Currency Exposure - Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2014/15	%	£000	£000
Global Fixed Income	172,749	5.44	182,152	163,346
Overseas Equity - Active	247,289	5.44	260,749	233,829
Multistrategy	205,260	5.44	216,432	194,088
Hedge Funds of Funds	48,750	5.44	51,403	46,097
Commodities	24,962	5.44	26,321	23,603
Timber & Agriculture	26,207	5.44	27,633	24,781
Infrastructure	19,449	5.44	20,507	18,391
Property	37,867	5.44	39,928	35,806
Opportunistic	9,998	5.44	10,542	9,454
Private Equity	121,233	5.44	127,830	114,636
	913,764		963,497	864,031

Currency Exposure - Asset Type	Market Value 2013/14	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Fixed Income	174,002	5.06	182,801	165,203
Overseas Equity - Active	281,343	5.06	295,571	267,115
Multistrategy	115,487	5.06	121,327	109,647
Hedge Funds of Funds	48,393	5.06	50,840	45,946
Commodities	32,084	5.06	33,707	30,461
Timber & Agriculture	22,382	5.06	23,514	21,250
Infrastructure	15,600	5.06	16,389	14,811
Property	38,374	5.06	40,315	36,433
Opportunistic	12,517	5.06	13,150	11,884
Private Equity	117,446	5.06	123,385	111,507
	857,628		900,999	814,257

8. DEBTORS/CREDITORS

	2015		2014	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,171		1,160	
Contributions due - Employers	3,005		2,276	
Added years	41		26	
H.M. Revenue and Customs	25		41	
Pension strain	1,762		1,063	
Administering authority	0		2	
Miscellaneous	232		177	
		6,236		4,745
Less Current Liabilities :				
Contributions	(7)		0	
Lump sums	(2,246)		(2,782)	
Death grants	(144)		(531)	
Administering authority	(265)		(236)	
Added years	(41)		(81)	
H.M. Revenue and Customs	(9)		0	
Miscellaneous	(481)		(358)	
		(3,193)		(3,988)
Net Current Assets		3,043		757

Analysis of debtors	**2015**	**2014**
	£000	**£000**
Central Government Bodies	25	41
Other Local Authorities	4,931	4,174
Other Entities and Individuals	1,280	530
	6,236	4,745

Analysis of creditors	**2015**	**2014**
	£000	**£000**
Central Government Bodies	(9)	0
Other Local Authorities	(271)	(298)
Other Entities and Individuals	(2,913)	(3,690)
	(3,193)	(3,988)

9. MATERIAL TRANSACTIONS

The Fund undertakes a review of fund management arrangements every three or four years. A full review was undertaken during 2014/15 and the following details the changes which were approved. Some of the changes were actioned by March 2015, the remainder are due to be completed during 2015/16.

2014/15

Manager	**Mandate**	**Allocation**
Redemptions		
Aberdeen	Asia Pacific (ex Japan) Equities	7%
Subscriptions		
Investec	Global Equities	Increased from 5% to 8%
Pyrford	Diversified Growth Fund	Increased from 3% to 5%
Investec	Diversified Growth Fund	5%

2015/16

Manager	**Mandate**	**Allocation**
Redemptions		
BlackRock	Global Tactical Asset Allocation	6%
Bluecrest	Global Tactical Asset Allocation	3%
Wellington	Commodities	4%
SSARIS	Hedge Fund of Funds	2.5%
Liongate	Hedge Fund of Funds	2.5%
Duet	Global High Alpha Equities	5%
Subscriptions		
Aberdeen	Frontier Market Equities	Increased from 0.5% to 2.5%
MAN FRM	Hedge Fund Managed Account Platform	9%
JLT Group (Consultant)	"Best Ideas" Portfolio	9%

The “Best Ideas” Portfolio has been established, in partnership with the Fund’s Investment Consultant (JLT) to enable the Fund to capitalise on tactical opportunities in the market. The allocation allows the Fund to speedily gain a more focused exposure to particular markets, based on a 6 to 12 month view.

10. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2015. 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.

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 (Prudential and Equitable Life) 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	£	922,872
Units purchased	No.	174,666
Units sold	No.	225,138
Market value as at 31st March 2015	£	4,718,878
Market value as at 31st March 2014	£	4,766,107

12. RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councilors are entitled to join the Pension Scheme. As at 31st March 2015, two Members of the Clwyd Pension Fund Committee have taken this option. The four Co-opted Members of the Pension Fund Committee receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Key Management Personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of The Accounts and Audit Regulations (England) Regulations 2011 and Regulation 7A of The Accounts and Audit Regulations (Wales) Regulations 2014) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Clwyd Pension Fund. The disclosures required by Regulation 7(2)-(4) of The Account and Audit Regulations (Wales) can be found in the main accounts of Flintshire County Council.

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 £1.270m (£1.023m in 2013/14). 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 oversight and governance, and administration expenses (see note 2). At the year end, a net balance of £0.265m 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 2015 (£0.234m in 2013/14).

13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

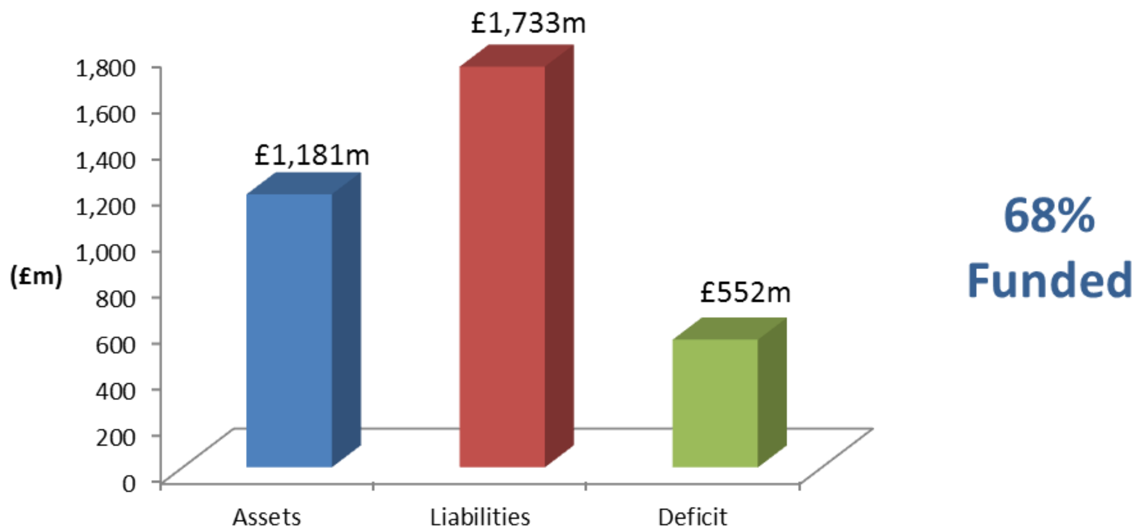
As at 31st March 2015, the Fund has contractual commitments of £574.0m (£542.0m in 2013/14) in private equity and property funds, of which £439.6m (£371.8m in 2013/14) has been invested, leaving an outstanding commitment of £134.5m (£170.2m in 2013/14).

14. 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 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,181 million represented 68% of the Fund's past service liabilities of £1,733 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £552 million.



The valuation also showed that a common rate of contribution of 13.8% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 73% with a resulting deficit of £449 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £27.4m per annum increasing at 4.1% per annum (equivalent to approximately 11.8% of projected Pensionable Pay at the valuation date) for 18 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.
In practice, each individual employer's position is assessed separately and the contributions required are set out in the 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). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £1,802 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by *c*£297 million. Adding interest over the year increases the liabilities by a further *c*£81 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another *c*£1 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £2,181 million.

Paul Middleman - Fellow of the Institute and Faculty of Actuaries
Mercer Limited -June 2015

I have audited the accounting statements and related notes of:

- Flintshire County Council; and
- Clwyd Pension Fund

for the year ended 31 March 2015 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 2014/15 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, the responsible financial officer is responsible for the preparation of the statement of accounts, including Clwyd Pension Fund's accounting statements, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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 2015 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 2014/15.

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 2015 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 2014/15.

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 following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Signature **Date: 30th September 2015**

ANNUAL GOVERNANCE STATEMENT

This statement has the following five sections:-

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

1. SCOPE OF RESPONSIBILITY

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

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

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

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

This Statement explains how Flintshire County Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Flintshire County Council for the year ended 31st March 2015 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

a) Council Constitution

The Council's Constitution defines the roles of the Cabinet, Council, Audit Committee, Standards Committee, Overview & Scrutiny Committees and all other Committees.

It also details the portfolios of each of the Cabinet members, the responsibility for functions including the delegation arrangements and various codes and protocols including the Members' Code of Conduct, the Officers' Code of Conduct, the Member/Officer Protocol and the Code of Corporate Governance.

b) Code of Corporate Governance

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

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

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

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

c) Council (Plan) Governance Framework

The final drafting and publication of the Council (Plan) Governance Framework was endorsed by the Council's then Executive in May 2011 and endorsed by County Council in June 2011. The framework is a family of co-related documents describing how the organisation's priorities and values are reflected within the Portfolios and how the Council interacts with partners and its customers and communities.

The framework is revised and updated annually.

d) Members

Flintshire County Council has 70 Councillors that represent 57 electoral divisions and are democratically elected normally every 4 years. The Council operates a Leader and Cabinet Executive which during the year to 31st March 2015 was made up of 8 members. Role descriptions have been approved for the Leader, Cabinet Members, Committee Chairs and ordinary Members. For the 2014/15 year there were 6 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

In addition the Council has the following Standing Committees:-

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

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

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

e) Officers

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

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

The Corporate Finance Manager 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.

f) Finance

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

The Council operates a scheme of delegated budgets supported by the Corporate Finance team which consists of central and service 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. Capital Programme monitoring reports are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a quarterly basis. In both instances, these reports identify reasons for variances and set out any corrective action that is proposed.

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

g) 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 Portfolio and Service Plans. They include:-

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

h) Organisational Change Strategy

The Council set out in its Medium Term Financial Plan a developing approach to organisational change and redesign. This change in approach was a direct response to the emerging national decisions on reductions in direct funding support for local government. The change was based on a recognition that a broader based and more ambitious change programme was required; that the Council would need to return to the fundamentals of organisational structure and the total costs of employment; that the Council would need to reduce further its civic estate operational costs.

The Organisational Change and Redesign Programme will continue over a period of years and ambitiously 'front ends' reductions on organisational costs in the first year of 2014/15 with the intent of protecting services as far as possible.

The strategy covers:

1. **New operating model: operating model, functional and structural design**
   This required a new operating model, the re-positioning and grouping of service functions, and a new senior management structure to deliver business change and alternative delivery models

2. **New operating model: ways of working**
   The operating model requires new ways of working including increasing the pace of agile working and adopting a more collective approach to strategic decisions

3. **Workforce Scaling: workforce planning, workforce reduction, vacancy management, costs of employment**
A major planned programme to dovetail with both 1 and 2 above and service prioritisation from 4 below

4. **Functional Efficiency: value for money in all service and support functions**
The developing value for money model has been overtaken by longer-term (3 year) business plans for change; some of which include alternative delivery models as in (j) below.

i) In-year Business Planning

The Council has an established and effective approach to **business planning**. The key component of 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 service level (sub) priorities. These priorities are connected to the County's Vision and priorities as determined by the Local Service Board through the Flintshire Wellbeing Plan, Flintshire's Single Integrated Plan (SIP).

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

- Flintshire Wellbeing Plan, Flintshire's Single Integrated Plan as set by the Local Service Board.
- Improvement Plan - Council priorities as set by the County Council and supported by service and corporate sub priorities.
- Council Improvement Targets – a set of performance indicators designated as those which require focused attention for improvement.
- Risk management – risks are owned and led in various ways dependent upon the type of risk:
    - the Council's strategic risks are owned in the Improvement Plan by sub priority lead officers and reported quarterly to Cabinet and respective Overview and Scrutiny Committees;
    - operational risks by Chief Officers / service managers are reported twice yearly to Cabinet and respective Overview and Scrutiny Committees;
    - project risks by the relevant Project Manager / Project Board and where appropriate are included within Chief Officer reports twice yearly;
    - partnership risks by the relevant Partnership Board and where appropriate are included within Chief Officer reports twice yearly or via an annual report;
    - collaborative risks by the 'lead' organisation of the collaborative partnership and where these have been agreed to be from a principal collaboration, reported to Cabinet and relevant Scrutiny Committees in accordance with the Council's agreed protocol.
- Outcome Agreement (with Welsh Government) – a set of actions and measures, positive performance against the actions and measures results in grant funding of approximately £1.4m which supports the Council's budget.
- Portfolio and Service Plans, plus the corporate resource plans (for Human Resources, ICT and Customer Services, Finance and Legal and Democratic).
- Findings of and Council responses to external regulation.
- Quarterly Improvement Plan Monitoring - a report monitoring progress towards delivery of the Improvement Plan and mitigation of strategic risks.
- Half-yearly performance reporting at Chief Officer level to Cabinet and Overview and Scrutiny – a monitoring report on progress, including priorities which are 'business as usual', service plan, operational risks, audit reports, improvement targets (not in the Improvement Plan) and issues such as sickness absence which are relevant across the whole organisation.

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

- Operational risk – identified and monitored at service level
- Project risk – identified and monitored through the project management system
- Strategic partnership risk - identified and monitored through the partnership governance framework
- Collaborative partnership risk – identified and monitored in accordance with the Council's agreed protocol.

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

The Council's strategic risks are included within the Council's Improvement Plan. This document is embedded within our business planning processes.

- Regular updating and reporting on progress is captured within the quarterly Improvement Plan monitoring. This includes:
- A red, amber, green (RAG) matrix to evaluate the current risk score:-
    - Gross Score – the score if there were no measures in place to control the risk
    - Net Score – as it is at the end of the time of review (usually end of quarter)
    - Target Score – what the score will be when all actions are completed / satisfactory arrangements are in place.
- Identification of the direction the risk is moving in (risk trend) – increasing, decreasing or staying the same.
- Updating of actions to mitigate the risks.

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

The approach includes:

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

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

j) Alternative Delivery Models (ADMs)

The development of ADMs is a key plank of an ambitious strategy to create significant efficiencies within work programmes in 2016 and beyond. ADMs enable other sources of income to be found or cost savings to be made that are not possible in a Council structure.

One example of this is the North East Wales (NEW) Homes and Property Management which was established in 2014. It is a new company, owned by Flintshire County Council which will own, lease and manage properties across Flintshire with the aim of increasing the quantity and quality of affordable housing across the county whilst providing a professional service to landlords and tenants.

k) Partnerships

Strategic partnerships

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

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

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

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

The following strategic partnerships make up Flintshire in Partnership:-

- Community Safety through the Local Service Board and the regional Safer Communities Board.
- Flintshire Housing and Regeneration Partnerships
- Health, Wellbeing and Independence Board
- Regional Safeguarding Children Board
- Voluntary Sector Compact
- Youth Justice Plan and Board

The strategic partnerships have a partnership governance framework which includes an annual self-assessment. This self-assessment enables the partnerships to assess areas for improvement when working as a partnership. The assessments are reported into the Local Service Board.

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

Collaborative partnerships

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

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

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

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

Significant collaborative working pre-exists the Compact in service areas including transport, residual and food waste procurement, procurement services and ICT.

The governance arrangements for the national and regional collaborations have been determined locally with a protocol updated by Cabinet in May 2013 for project governance and reporting.

l) 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

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.

The Council has a well established practice of dealing with findings from the external regulatory bodies through referral to committees, formal responses and tracking, and open publication of regulatory reports in our committee papers (with availability on the website). An annual summary report is presented to the Audit Committee showing all regulatory reports, their findings, the council's response and where they were reported to.

m) Audit Committee

Internally, the Council's Audit Committee's role and functions are to:-

- Review the effectiveness of the Council's systems of Corporate Governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements;
- Oversee the reporting of the statutory financial statements process to ensure the balance, transparency and integrity of published financial information and to review the financial statements prepared by the authority and recommend them to County Council;
- Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context;
- Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees

The above reflects the expanded role of the committee as a result of the Local Government (Wales) Measure 2011. A lay person is a member of the committee pursuant to that measure.

n) Internal Audit

The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. The Standards state that Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit 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 PSIAS the Internal Audit Manager reports to the Audit Committee a summary of audit findings each quarter. He prepares an annual report that summarises the internal audit work completed during the year and gives an opinion on the overall adequacy and effectiveness of the Councils governance, risk and control framework.

o) Counter Fraud and Anti Corruption Arrangement

The Council has in place an Anti-Fraud and Corruption Strategy, which includes consideration of the Bribery Act. There is also a Fraud Response Plan so that managers know how to respond to any suspicion of fraud. Codes of Conduct for Members and Officers specify the requirements around declarations of interest, potential conflicts of interest, gifts, hospitality, etc.

Internal controls are designed to minimise the incidence of fraud taking place and maximise the likelihood of it being detected if it occurs. Contract Procedure Rules and Financial Procedure Rules set out how transactions should be completed.

ICT security is managed by the Information Management Team. Flintshire complies with the Public Services Network code of connection, which is subject to an annual external assessment.

p) Whistle-blowing

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

q) Complaints

The Public Services Ombudsman for Wales publishes an annual report, followed by an annual letter to the Council in July each year. The annual letter provides a clear and precise breakdown of all complaints received and investigated by the Ombudsman's office during the previous year in relation to the Council. These cover both complaints about services provided by the Council and complaints about councillors under the Code of Conduct. The letter provides Flintshire County Council with a summary of its performance against other local authorities in Wales as well as an overview of other public sector organisations such as local health boards and housing associations. The Council uses the information provided in the annual letter to benchmark against other local authorities; it is also used as a comparative against previous year performance. In addition to the Council's local performance measures, the Ombudsman's annual letter is used to analyse themes and trends in order to ensure issues and risks are managed accordingly with the support of Chief Officers.

The Council has adopted a formal complaints procedure which also seeks comments and compliments and this is periodically updated. The procedure can be found on the Council's website.

r) Information Governance

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

s) Clwyd Pension Fund

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

4. REVIEW OF EFFECTIVENESS

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

a) Council Constitution

The 3 year programme of reviewing the entire Constitution agreed by the Constitution Committee in 2012 was concluded, in 2014/15 covering Members' and Officers' Codes of Conduct, the Protocol on Member/Officer relations and the Code of Practice for Planning Procedures. This has resulted in a more readable document that uses consistent terminology and style, whilst meeting all legislative requirements.

In addition throughout the year updating changes were made following consultation with the Chair of the Constitution Committee and political Group Leaders.

At its meeting on the 28 January 2015 the Constitution Committee established a Task & Finish Group to consider adopting the new format of the Constitution prepared on behalf of Monitoring Officers in Wales with a view to adopting that format at the Council's annual meeting in May.

b) Code of Corporate Governance

Each year there is a review and update of the Code of Corporate Governance. This is coordinated by the Corporate Governance Officer Working Group. Following work by the Officer Working Group an updated of the Code Corporate Governance was reported to the Audit Committee meeting on the10 December 2014. The updated version was agreed and the Constitution subsequently amended to reflect the changes made.

The other main task of the Officer Working Group is to prepare the draft Annual Governance Statement. Each year the process is improved. This year for the first time the Corporate Governance questionnaires completed by Chief Officers were discussed at a meeting of the Chief Officer Team.

Prior to consideration at Audit Committee there was an informal briefing meeting for members of the committee. There was also a report to the Audit Committee to start the preparation of the AGS in December 2014 and questionnaires sent to the Chairs of Overview & Scrutiny Committees continue to involve them in the process.

c) Council (Plan) Governance Framework

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

The annual review of the framework was undertaken during summer 2014. A major review of the principal strategic plans (Medium Term Financial Strategy, Improvement plan, Corporate Resources, Governance Plan) was introduced during 2015 for publication of a newly formatted set of plans during the summer of 2015.

d) Members

The structure of Overview and Scrutiny committees was reviewed during the year after the implementation of the new senior management structure with the aims of simplifying reporting lines, balancing workloads and strengthening their role in corporate governance. The new structure was presented to the Annual Meeting of the Council in May 2015 and will be implemented in 2015/16.

The Member development programme for 2014/15 included the following topics:-

- Various planning topics
- Equalities and Welsh Language
- Budget Preparation
- Social Media

Member feedback on training events is reported to the Democratic Services Committee and continued to show a high level of satisfaction. Member attendance and engagement with training initiatives has been encouraged through political Group Leaders.

e) Officers

The new corporate operating model and senior management structure agreed on the 25 March 2014 was implemented in May 2014. The model and structure were designed to meet our changing circumstances, save money and better use our senior talent to modernise the organisation. There is a single tier of senior officers supporting the Chief Executive, each with a responsibility for service delivery, a corporate function or transformation but all with a collective responsibility for organisational management, strategy and performance, organisational development, and relationships and reputation.

As part of the transition to the new structure a team development programme was completed by the new senior team. The programme covered skills mix understanding, team unity, planning, and transition and risk management. This was followed by individualised plans for each member of the team.

The approach to appraisals has been strengthened, based on competencies and linked to a talent management programme. It is designed to aid development and ensure critical roles will continue to be filled in the future. This has been used for Chief Officers and their direct reports and will be rolled out across the Authority during 2015/16.

Through working in partnership with Coleg Cambria a comprehensive officer development programme is available enabling employees to develop their skills and competencies further and to achieve national ILM qualifications.

During the year work was undertaken to review the officers' code of conduct. This led to an updated clearer officer code being agreed by Council.

f) Finance

The Council's revenue budget and capital programme for 2014/15 were agreed by the Council. The budget is aimed at protecting 'front line' public services and re-investment to meet council priorities despite a reduced level of funding.

In order to achieve a balanced budget the Council:

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

The budget strategy for 2014/15 has been developed in the context of the following expectations:

- The protection of local services as a first priority
- The more challenging reduction of operating costs and overheads
- The reorganisation of the Council with a marked reduction in management costs
- The reduction of overall workforce costs
- The remodelling of some functions
- Building a longer-term financial plan based on optimum efficiency

The revenue outturn for 2014/15 was an underspend of £1,804k (subject to audit). On capital over 93% of planned spend in year was reported as being incurred as at the year end.

The financial future facing the Council continues to be very uncertain and challenging. A reduction in the amount of external funding received from Welsh Government (Revenue Support Grant and Non Domestic Rates) and increases in pay and price inflation has meant the Council was required to make £18m efficiency savings to achieve a balanced budget for 2015/16. The next stage of the development of the Medium Term Financial Strategy will be published in summer 2015 alongside the new Improvement Plan. This provides greater opportunity to deepen the links between service and financial planning and provide a more robust framework for future reporting of the effectiveness.

A revised version of the Council's Financial Procedure Rules will be issued in the summer of 2015.

g) Corporate Strategies

The key Corporate Strategies (Assets, People, ICT, Customer and Procurement) started to be reviewed during 2015 with the intent of publishing a Corporate Resources Plan in summer 2015. The main purposes being to scope the large scale change led demands for corporate services and evaluate the expenditure and funding required.

h) Organisational Change Strategy

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 2015/16 and have assisted in achieving an in-year under-spend for 2014/15.

However, given the size of the financial challenge to be scaled and the extent of public service reform, the former Flintshire Futures Programme has been expanded into a single and coherent strategy as outlined in section 3 (g). This strategy has succeeded in introducing a new operating model, bringing together a single layer of Chief Officers into one unit across 10 portfolios to collectively manage business change and inform strategic decision making.

In addition the introduction of three year business plans for change across each portfolio has started to impact on the size of the organisation and contribute to the efficiencies required over a three year period. These are supported by 8 programme boards who monitor and track efficiencies, identify capacity and manage the overall change programme.

i) In-year Business Planning

The Council approved its first Improvement Plan in June 2011. This Plan built on the Administration Priorities established in 2010 and identified a set of ten (primary) Improvement Priorities supported by more detailed secondary Directorate priorities. The Council adopted its Improvement Plan for 2014/15 on 24 June 2014. The Improvement Priorities of the previous Council were thoroughly reviewed and challenged to streamline and reset them and to be clearer over the impacts and how performance would be measured, leading to a set of eight Improvement Priorities with 22 sub-priorities.

The Improvement Plan focused on the priorities which were going to have the most impact during 2014/15. This helped the organisation to concentrate on the things where sustained corporate attention was needed during, with the remaining priorities being managed as more routine performance management.

The Improvement Plan has been monitored in the following ways:

- Quarterly Improvement Plan monitoring, including an overview of progress against the achievement measures/milestones and risks is reported to Cabinet. In addition the Improvement Priorities have been monitored by appropriate Overview and Scrutiny Committees.
- Twice annually (at quarters 2 and 4) performance highlight reports were presented from the Chief Officers. These focused on performance exceptions, both good and poor whilst ensuring that the 'business as usual' is still being monitored and reported against
- Annual achievement against each of the eight Improvement Priorities is summarised in the Council's Annual Performance Report (APR) which is presented to both Cabinet and County Council.

In addition the strategic risks are reported to Audit Committee at least twice yearly for review and to ensure that emerging risks are captured and that assurance of risks being mitigated is achieved.

The Council's approach to risk management was reviewed by Internal Audit during the year who identified that corporate arrangements were strong but that the approach needed to be used consistently across the Council. Taking on board these findings and those of the Wales Audit Office Corporate Assessment a new approach to risk management has been devised for implementation for 2015/16 onwards. This includes:

- Enhanced descriptions of risk including an explanation of the impact if the 'risk were to be realised.
- More sophisticated risk matrix (6 x 4) allowing further options to show how the risk is being reduced or increasing.
- Improved format to capture both new and emerging risks and also to allow for a risk to be 'closed' once it has been mitigated or realised as an issue being dealt with.
- Incorporating risk more prominently within Council reports.

The new approach also includes guidance for escalation of risks and frequency of reporting depending on the assessed severity of the risk; for the higher level risks e.g. 'black' reporting will be monthly and 'red' quarterly.

In addition, the Council has just begun to implement a new electronic performance management system (CAMMS) which integrates and provides accountability across actions, objectives, measures and risks (across strategic objectives (such as the Improvement Plan), operational (team and individual) objectives, programmes and projects and collaboration or partnership objectives (such as the Single Integrated Plan). The system is being introduced in a phased basis; the first phase concentrating on the Improvement Plan. Reporting for the first quarter (April to June) will be undertaken via CAMMS.

Part of the Council's approach to risk management includes its **business continuity arrangements.** From July regional arrangements were established across North Wales to support and enhance local approaches. An audit has been undertaken across North Wales to assess the currency and areas for improvement of business continuity arrangements. A local Business Continuity Planning group has been established to lead and direct local arrangements and ensure recommended improvements are followed through.

No circumstances arose during the year where it was necessary for the Mission Critical Business Continuity Plans to be invoked.

j) Alternative Delivery Models

Flintshire has adopted principles for alternative delivery models which aim to ensure a common understanding of what we are trying to achieve by sustaining important services for communities and individuals that would otherwise be lost.

A methodology has been developed and adopted to ensure that all proposals are sound in terms of business sustainability, capacity and financial assessments. The methodology also ensures member accountability through Scrutiny and Cabinet involvement.

k) Partnerships

Strategic partnerships

The Local Service Board produced and endorsed its Single Integrated Plan during 2013 which brings together the four priorities and commitments of the LSB along with their detailed governance and reporting arrangements. These priorities are:

- Priority 1: Lead by example as employers and community leaders
- Priority 2: People are safe
- Priority 3: People enjoy good health, wellbeing and independence
- Priority 4: Organisational environmental practices

These priorities have been managed and monitored by appropriate board and reporting structures during 2014/15.

A review of the North Wales Partnerships in 2011 resulted in a series of changes which have continued during 2014/15:-

- Community Safety Partnership: Flintshire's Community Safety Partnership continues to operate through the Flintshire Local Service Board with strategic functions being discharged at a regional level through the Safer Communities Board
- Health, Social Care and Wellbeing Board: this was replaced by the Health, Wellbeing and Independence Board in late 2013.

Collaborative partnerships

The Welsh Government's White Paper "Devolution, Democracy and Delivery - Reforming Local Government: Power to the People" has been under consideration during 2014/15 and the outcome will inform collaborative partnerships and services in the future. The County Council has agreed the response to the following themes within the White Paper: role and purpose of local government; community action and ownership; governance, review and performance and local government financing.

l) Regulation and Assurance

All formal reports are presented to the Cabinet and Audit Committee and considered by the various Overview & Scrutiny Committees as appropriate. Some reports such as the annual improvement report are presented to the full Council. In January 2015 the annual summary report on external regulation was presented to the Audit Committee detailing all the regulatory reports, their findings, the council's response and where they were reported to.

During the year the Wales Audit Office completed a Corporate Assessment of Flintshire as part of its four year cycle of corporate assessments of improvement authorities in Wales. The assessment covered the following

- Performance and Outcomes
- Vision and Strategic Direction
- Governance and Accountability
- Use of Resources
- Collaboration and Partnerships
- Managing Improvement

The Auditor General has concluded that:

'The Council's track record suggests that it is likely to respond positively to the internal and external challenges it faces and make arrangements to secure continuous improvement for 2015-16.'

The judgment reflects the conclusions of the corporate assessment, that:

'The Council has made significant progress in a number of difficult areas during the last year; although it needs to strengthen aspects of its arrangements the Council is reasonably well placed to continue to deliver its priorities in the face of further financial challenges.'
'Despite some strengths and areas of progress, aspects of the Council's arrangements are not fully supporting decision-making and the delivery of the Council's agreed priorities.'
'The Council has taken significant strides forward in its use of resources and now needs to coordinate the elements more systematically in the face of future financial challenges.'
The Council has made good progress against the improvement priorities we looked at but its performance against the national indicators declined slightly.'

The Auditor General did not make any statutory recommendations with which the Council must comply. Instead seven advisory proposals for improvement were made. The council responded in full to these proposals and has a detailed underlying action plan to address all the issues, many of which are well advanced.

m) Audit Committee

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

Members completed a self assessment against CIPFA Guidance for Audit Committees at the year end. The results were an improvement on the previous year and showed that in the main the Committee complies with the guidance. Some areas were highlighted where existing arrangements can be strengthened. Training for the Audit Committee will be maintained in 2015/16.

n) Internal Audit

Public Sector Internal Audit Standards (PSIAS) came into force in April 2013. They require the Audit Manager to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of internal audit's conformance with the Standards. The QAIP must include ongoing monitoring of the performance of the internal audit activity and an annual assessment.

Ongoing monitoring is in place. The quality of audit work is ensured by the use of an audit manual, ongoing supervision and management of staff and the review of all audit work. Performance targets are set and actual performance reported to quarterly Audit Committee meetings.
Internal Audit undertook a self-assessment against the PSIAS requirements towards the end of the year and found that the department 'generally conforms' with the standards, which means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the Standards and of the Code of Ethics in all material respects.

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.

o) Counter Fraud and Anti Corruption Arrangements

The Authority is taking part in the National Fraud Initiative (data matching exercise) using information provided by the Audit Commission for investigation. This involves looking at around 3,500 data matches across the Authority, including benefits, payroll, pensions and licences.

The roll out of computerised purchasing (p2p) was completed (apart from schools) during the year. The system enforces the right level of authorisation for each purchase and the use of suppliers that are set up on the system.

Financial Procedure Rules were updated during the year and approved by the Audit Committee. Internal controls were improved after fraud investigations and as a result of internal audits.

During the year an ICT health check was carried out by an independent company, confirming the security of internal IT systems. Quarterly vulnerability scans were completed to confirm the security of external facing systems.
Service Self-assessment forms showed that there could be greater awareness of the Anti-Fraud and Corruption Strategy and the Fraud Response Plan. These will be reviewed and re-launched during 2014/15.

The Anti-Fraud and Corruption Strategy and the Fraud Response Plan were reviewed and updated during the year. They were approved by the Audit Committee in January 2015 and will be re-launched after approval by the Constitution Committee in April 2015.

p) Whistle-blowing

A small number of employees have used the policy during 2014/15 to raise concerns, which shows that the policy is known. They were treated sensitively and correctly, with the allegations being investigated whilst protecting the confidentiality of the whistleblowers. The policy was reviewed during the year to take into account changes introduced by the Enterprise and Regulatory Reform Act and the latest guidance received. It was approved by the Audit Committee and the Constitution Committee and re-launched in autumn 2014. The re-launch was publicised on the Infonet, circulated to all Members and a note included on all payslips. During the year the Wales Audit Office reviewed the policy and concluded: 'The Council has a satisfactory whistleblowing policy which it applies appropriately. The Council's whistleblowing policy demonstrates a clear commitment to handling whistleblowing concerns appropriately but with opportunities to make the policy more user-friendly in a few areas. The Council maintains its records securely and follows its policies and procedures appropriately when investigating whistleblowing concerns.'

q) Complaints

The Public Service Ombudsman for Wales annual letter for 2013/14 received in July 2014 showed a slight reduction in complaints received and investigated, and both were below the Welsh average. The letter was considered by the Standards Committee who requested further reports from Chief Officers. The committee were satisfied that the issues raised in the letter had been addressed.

During 2014/15 the Council received 639 complaints; 76.15% of complaints were dealt with within 10 working days from receipt. The Complaints Awareness training continues to be delivered in partnership with Coleg Cambria to help raises awareness of the Compliments, Concerns and Complaints policy. The Customer Services Award also continues to be rolled out across the organisation with employees in Housing, Streetscene, Leisure Services and Adult Services having the opportunity to complete the qualification.

r) Information Governance

During the year:-

- Over 1700 requests for information under the Freedom of Information Act and Environmental Information Regulations were dealt with.
- A range of different types of Data Protection training were provided to officers.

s) Clwyd Pension Fund

The Annual Report of the Clwyd Pension Fund includes the Fund's Governance Compliance Statement, a review of its effectiveness by the Independent Advisor, details of attendance by Members at committee meetings and the training they have received during the year. During 2014/15 the governance of the Clwyd Pension Fund was enhanced by the development of a 3 year business plan, a training policy to satisfy the requirements of the CIPFA and Pension Regulator knowledge and skills requirements, a Risk Policy and a Conflict of Interest Policy

The governance of the fund will be further strengthened in 2015/16 by the new Clwyd Pension Fund Board which will provide oversight on the work of the committee.

5. SIGNIFICANT GOVERNANCE ISSUES

Set out below is a list of significant strategic risks to the Council and the proposed mitigating actions for those risks.

Issues	Risk	Mitigation
Policy and legislative proposals of WG following the consultation on the White Paper – Power to the People	The risks of uncertainty of WG intentions and scale of change, leading to impacts on resources and disruptions to business continuity in planning and transition Possible effect on recruitment and retention given ongoing uncertainty, and impact on morale.	Active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level. Prioritisation of time and resources for planning any local change which is required to implement any directed change from Welsh Government.
The public sector fiscal position	Reduction in performance and standards due to: (1) The unprecedented scale of major reductions in Welsh Government resources and vying national priorities on the Revenue Support Grant (RSG) and specific grants. (2) The uncertainty over the levels of annual reductions and the period for austerity. (3) The ability to deliver services within the constraints of the low financial base compared to other authorities.	Influencing national decision-makers through negotiation as part of the collective negotiations. Medium Term Financial Planning on a number of challenging scenarios.

Medium Term Financial Strategy	The Council's Medium Term Financial Strategy (MTFS) is not sufficiently comprehensive to plan ahead. The ability and appetite of the Council to make big and challenging decisions for the future.	Producing a revised Medium Term Financial Strategy to be published summer 2015 which will be updated on an ongoing basis alongside the 2016/17 budget and beyond. The Strategy has been reviewed thoroughly to (1) forecast the financial resources to be available to the Council during the period 2016/17 – 2017/18, and the budget pressures based on the best available intelligence and (2) identify the solutions available including business plan proposals and alternative delivery models. Continue to lobby WG for earlier and timelier indications of future indicative settlements to enable effective and longer term financial planning to be undertaken. Use Part 1 of the MTFS as a lobbying document to stress the impact of national funding decisions. Earlier Member engagement regarding future strategic decisions that may impact on other longer term options.
Scale and pace of Service portfolio business planning	(1) The ability of the organisation to manage a number of complex and challenging decisions and priorities and change in good time. (2) Insufficient organisational capacity and capability could have negative impacts on continuity, resources, performance, standards and governance arrangements.	Leadership of evidenced business planning and full and early member engagement on options. The most effective allocation of Council capacity, and using Invest to Save funds well to add capacity.
Transition to Alternative Delivery Models	1) Business cases are not fully worked through and create risks. (2) Weak governance arrangement are in place to manage services on a sustainable basis. (3) Business continuity and performance failure during the transition from old to new service delivery models.	A robust business planning process. Effective governance models are in place.
Community Asset Transfers	(1) Lower community take up. (2) Weak governance arrangement are in place to manage services on a sustainable basis. (3) Business continuity and performance failure during the transition from old to new service delivery models.	An effective strategy for engaging with communities. Effective governance models are in place.

Joint Working with Health	(1) Ability of BCUHB to work with the Council effectively during a period of significant internal change. (2) The financial and service pressures on BCUHB.	Effective working relationships at both governance and operational levels. Effective joint service and financial planning.
School Modernisation	(1) Acceptance of the new phases of the Council's Schools modernisation programme. (2) The scale and risks of consulting and managing reform.	An effective strategy for change based on the Councils recently revised Schools modernisation policy.
Business Continuity Planning	(1) Business Continuity Plans are dated or insufficient to meet the risks of emerging incidents. (2) The impact on services of disruption.	Completion of review of Business Continuity Plans in 2015. Ongoing plan maintenance.
Welfare Reform	Protect the vulnerable from the impacts of Welfare Reforms	Implementing the partnership programme of Welfare Reform protective measures Maintaining welfare reform support, advice and protection as a Council Priority. Providing specific and targeted support through housing, social care welfare rights and benefits services.
Collaboration Governance	Failing to sufficiently hold services to account which may be managed under new and less immediate collaborative governance arrangements. Business continuity and performance failure during the transition from old to new service delivery models.	Ensuing agreed and supported governance models for new collaborations. Fully applying the Council protocol on performance reporting for new collaborative services.
National Reviews of the Public Sector	As a result of the report by the Public Services Commission the potential for major local government reorganisation and change in local government responsibilities and functions. The risks of uncertainty in forward planning, impacts on resources and disruptions to business continuity in planning and transition for any change set by Welsh Government are significant.	Active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level. Prioritisation of time and resources for planning any local change which is required to implement any directed change from Welsh Government.
Review of the Council operating Model and Senior Management Structure	Disruption etc. as per the 25 March Council report.	Effective management of the risk transition plan.

North Wales Residual Waste Treatment Programme	Lead Authority for the programme, in partnership with four other Local Authorities, and site of the proposed plant.	Strong governance through Joint Committee, Inter Authority Agreement being drawn up for the next phase.
Additional Improvement Plan 2013/14 risks status RED at year end.		
Modern, Efficient and Adapted Homes	Maximising our joint resources with our partners. The uncertainty created by the potential review of local government as a consequence of the Public Services Commission has made progress over possible new collaborations a significant challenge.	Influencing national decision-makers and our partners through consultation and negotiation.
Town and Rural Regeneration	Maximising funding opportunities through external programmes to invest in our urban and rural areas. The Council is seeking external funding to support urban and rural regeneration. The main sources of funding are still in transition from the 2007-2013 to the 2014-2020 period, so there is reasonable certainty in planning programmes. The amount of resources available for programmes including town centre regeneration is unlikely to be sufficient to meet need and expectation for investment.	Actively seeking every source of external funding to support urban and rural regeneration.
Matching Resources to Priorities	Gaining political agreement to a business approach for fees and charges which may have public opposition.	Work is underway on a corporate and more commercial policy for fees and charges – not yet completed.

Signed……………………………………Leader of the Council

Signed……………………………………Chief Executive

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

Flintshire County Council

Audit year: 2014-15

Issued: September 2015

Document reference: 511A2015

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

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 the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

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Summary report

Introduction

1. The Auditor General 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 2015 and its income and expenditure for the year then ended.
2. 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.
3. The quantitative level at which we judge such misstatements to be material for Flintshire County Council is £4.950 million. 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.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Flintshire County Council, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on the statutory deadline of 30 June 2015, and have now largely completed the audit work.
7. However there is some work outstanding, in particular:
   - confirmation of the changes to the Comprehensive Income and Expenditure Statement and associated Segmental Reporting note, including satisfactory explanation of the service income and expenditure variances between financial years; and
   - receipt of outstanding information in relation to payroll costs and resolution of outstanding queries.
8. Should anything further arise from this work, an update will be provided to both the Audit Committee and the Council when the accounts are approved on 24 September 2015.
9. 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 Gary Ferguson, Corporate Finance Manager.

Proposed audit report

10. It is the Auditor General'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. This is subject to the satisfactory conclusion of the outstanding work outlined in paragraph 7.

11. The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

12. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

13. 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. The more significant of these relates to the treatment of income and expenditure which is explained further in paragraphs 14 to 19.

Other significant issues arising from the audit

14. 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 a number of issues arising in these areas this year which are summarised below.

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

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

The Council changed its basis for preparing the Comprehensive Income and Expenditure Statement (CIES) which resulted in large unexplained variances and a significant number of errors that required correction.

16. The Code of Practice on Local Authority Accounting requires local authorities to disclose its gross expenditure, gross income and net expenditure position in accordance with the Service Reporting Code of Practice (SeRCOP). In doing so, it must reflect actual income and expenditure and net out any internal charging between departments.

17. In 2014-15, in an attempt to speed up the closedown process, the Council changed its basis of preparation for the Comprehensive Income and Expenditure Statement (CIES) which sought to correctly map income and expenditure to gross income or gross expenditure, net of internal charges.

18. However, this resulted in some significant variances on the face of the CIES between the service analysis gross income and expenditure between 2013-14 and 2014-15. Whilst the net expenditure figures were broadly comparable, the draft accounts showed that gross income had increased by £40 million and gross expenditure had increased by £30 million in comparison with the previous year. Variances from one year to the next will clearly exist as the income and expenditure profiles are not identical, but when we sought explanation for the significant variances (eg, why had Adult Social Services income increased from £8 million to £15 million), they could not be explained readily.

19. This raises a general concern over the level of scrutiny and review of the financial statements which is discussed in more detail in paragraphs 33-39.

20. As a result of our enquiries the Council undertook considerable further work and identified a number of material errors, which had overstated both gross expenditure and gross income by £29.395 million. These are set out in the table below:

Adjustment to Gross Expenditure and Gross Income £m	Reason for correction
£9.248	Reversal of Impairment that had been credited to the CIES had been incorrectly classified as income when it should have been netted off expenditure.
£1.193	Flintshire paid costs relating to Municipal Mutual Insurance on behalf of the former Clwyd County Council authorities which were then reimbursed by the relevant authorities. This had been incorrectly included in the gross expenditure and gross income figures although the net position (£nil) was correctly reflected.
£8.258	Internal recharges between departments had not been netted off as required in the CIES (as they do not represent 'real' income to or expenditure by the Council).
£6.734	Flintshire act as agents of Welsh Government for the Bus Services grant – as such they received grant monies and distribute it across the six North Wales authorities. The income and expenditure should be netted out of the CIES.
£1.584	The internal allocation of grant monies to individual schools had not been netted off as required in the CIES.
£1.394	Internal income from capitalising salaries had been treated as income rather than being netted off expenditure.
£0.984	An internal recharge relating to Theatre Clwyd had not been netted off as required in the CIES.

21. In addition. £2.385 million of social care income had been incorrectly reallocated across other services so, whilst it was correctly classified as gross income, it was disclosed in the wrong service lines.

22. This also resulted in significant restatement of Note 41 – Segmental Reporting as well as the CIES.

23. It is important to note that this did not impact on the net expenditure figures (ie, bottom line) which had been accounted for and reported correctly in the financial statements.

The Council's bank reconciliation was not prepared correctly

24. Bank reconciliation is a fundamental control which provides assurance over the integrity and completeness of the financial ledger. It reconciles the bank balance on the bank statements with the cash book balance in the financial ledger.

25. The Council had prepared a reconciliation, reconciling the movement of payments and receipts during the year with the bank statement. However, it had not reconciled the overall cash book to the bank statement. As a result there was an error in Note 15 in that the cash and cash equivalents and cash overdrawn disclosures were misstated.

26. We also identified that there is an unreconciled item of £17,000 relating to cash receipting. We are satisfied that any issues identified in resolving this would not be material, but it is essential that the Council fully reconciles this item.

The Council has not complied with the Code in respect of a change in accounting policy on foundation schools.

27. In accordance with the Code on Local Government Accounting, there is a new requirement for local authorities to recognise on their balance sheet the non-current assets used by local authority maintained schools, where the school building and land is maintained by the local authority but the school entity itself is under the control of either the governing body, church or community rather than the Local Education Authority.

28. Previously, whilst the costs incurred maintaining these assets has been charged to the revenue account for the local authority, the assets have not been included within its balance sheet, unlike the assets of schools under the direct control of the local education authority. Consideration of this approach by CIPFA has concluded that if the assets actually belong to the local authority they should be recognised as such.

29. The Council has correctly brought the assets of a foundation school (value £1.556 million) onto its balance sheet and applied the change of policy retrospectively to the prior accounting period (ie, 31 March 2014). However, it has not complied with International Accounting Standard 1 - Presentation of Financial Statements, which requires the change to be made as at 1 April 2013 with appropriate disclosures, including a restated statement of financial position, as at 1 April 2013.

30. Whilst I am satisfied that the impact of this is not material to the accounts, auditing standards require all instances of non-compliance with the Code to be reported. The

Council needs to ensure that it complies with accounting and disclosure requirements when accounting for prior period adjustments.

There are some weaknesses in your internal control

31. Auditing standards require us to obtain an understanding of the internal controls relevant to the audit when identifying and assessing the risks of material misstatement. The Council's internal controls were considered in order to design audit procedures, to provide sufficient assurance to allow the Auditor General to express an opinion on the truth and fairness of the financial statements. They were not considered for the purposes of expressing an opinion on the effectiveness of internal control.

32. We have identified some weaknesses in the strength of your internal controls relating to the processing of payroll that are of sufficient importance to merit reporting to you in the context of your governance role.

33. In particular:

- there was insufficient documentation to support a number of the starters, leavers and amendments that we tested;
- there was no evidence to demonstrate that exceptions reports had been reviewed and acted upon; and
- we identified issues with the reliability of the new starters' report as it had excluded a new starter, as a field in the employee record had not been completed.

34. Our findings are consistent with the recent Internal Audit Report on Payroll issued in August 2015.

35. As a result of these control failures, we had to design alternative audit procedures to gain our assurance. This included the need to confirm a sample of employee salaries back to an employment contract or other relevant documentation to confirm the employee grade. These documents were not readily available and, as highlighted in paragraph 6, some of these are still outstanding.

36. Whilst we are satisfied that these control failures do not impact on the opinion, they are serious in nature as they increase the risk of error and fraud in the processing of pay. We expect the Council to address these control weaknesses and we will monitor progress as part of our ongoing audit work.

There is one concern significant to the oversight of the financial reporting process that we need to report

37. In paragraph 17 I identified my general concern over the level of scrutiny and review of the financial statements. In addition, there is need for recognition of the Council's collective responsibility for the preparation of the accounts and responding to the audit process.

38. As we have indicated in previous years, we would expect that as part of the preparation process the accounts would be subject to a quality review to ensure that they make sense and that explanations are sought for variances that appear inconsistent with cumulative knowledge.

39. Such a review would no doubt have raised questions over the number and size of the variances between the figures quoted for 2013-14 and 2014-15 in the CIES. This would have allowed most of the amendments identified during the audit to have been identified and addressed, before the responsible financial officer certified the accounts as a true and fair view of the financial transactions of the Council and presented them for audit.

40. We also experienced some delays in receiving responses to audit queries, predominantly where explanations and information was required from sources outside the finance department. These contributed to additional pressure on both the finance team and ourselves to complete the audit in line with the required deadlines.

41. The preparation of the annual financial statements is a complex project with many inter-dependencies and it needs effective project management and buy-in from various departments. The Council needs to give further consideration to how the accounts production and audit process is managed to both secure improvement and to ensure that it is not at risk of failing to meet the statutory deadlines. Following the completion of the audit we will hold a joint post project learning session with officers to help identify any improvements that can be made.

42. Welsh Government is currently consulting on plans to bring forward the timetable for preparing and publishing the accounts of local government bodies in Wales.

43. Current proposals indicate that for the 2018-19 and 2019-20, accounts will be prepared by 30 June (same as it is currently) and published by 31 August (one month less than currently), and that for 2020-21 onwards they must be prepared by 31 May and published by 31 July. Therefore ultimately, the timetable will be reduced by two months, one month less for the preparation and one month less for the audit and publication. This will be challenging for all councils but adds emphasis to the need to secure the improvements referred to above.

There are no other matters that we need to report to you

44. There are no other matters to report to you. In particular:

- 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; and
- there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2014-15 financial audit work

45. We will issue a separate report with details of the recommendations arising from our financial audit work. This will be discussed with officers and then presented to the Audit Committee at its next meeting in January 2016.

Independence and objectivity

46. As part of the finalisation process, we are required to provide you with representations concerning our independence.

47. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Flintshire County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

Representations Regarding the 2014/15 Financial Statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Local Government Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith; and
- 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.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial Statement Representations

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

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

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

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

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

The financial statements are free of material misstatements, 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

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 24 September 2015.

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

We accept the findings of the audit of the accounts and will take appropriate actions to make improvements in the areas raised.

In relation to the adjustments required on the CIES/Segmental Reporting note, the issues arose from the way some information was presented within the Council's financial system, although the net position to the Council was unaffected. Changes will be commenced immediately in the Council's financial system well in advance of the closure of the 2015/16 accounts.

In relation to the issues raised on reviewing the accounts, the timetable to manage the closure of accounts will be amended to build in additional review time.

Signed by:	Signed by:
Gary Ferguson	Ray Hughes
Corporate Finance Manager (Chief Finance Officer)	Chair to the Council
Date: 24 September 2015	Date: 24 September 2015

Appendix 2

Proposed audit report of the Auditor General to 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 2015 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 2014-15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Clwyd Pension Fund's accounting statements, 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 Financial Reporting Council'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'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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 2015 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 2014-15.

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 the Clwyd Pension Fund during the year ended 31 March 2015 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 2014-15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword 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 following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit; and
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

For and on behalf of

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

30 September 2015

Appendix 3

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.

   £-5.040 million £-1.124 million £-16.281 million £-7.952 million £-3.037 million £-0.406 million £-5.848 million £-0.559 million £-0.440 million £+11.292 million £-29.395 million	Comprehensive Expenditure and Income Statements (CIES) Changes to Gross Expenditure: Adult Social Care Central Services to the Public Education and Children's Services Cultural and related services Environmental and regulatory services Planning Services Highways and Transport Services Housing – Council Fund Corporate and Democratic Core Non distributed Costs Total	To correctly disclosure gross expenditure of the Council net of internal recharges See paragraphs 21 and 22 of the report
   £+1.222 million £-1.132 million £-8.779 million £-8.600 million £-1.181million £-0.551 million £-8.154 million £-2.210 million £-0.010 million Nil £-29.395 million	Comprehensive Expenditure and Income Statements (CIES) Changes to Gross Income: Adult Social Care Central Services to the Public Education and Children's Services Cultural and related services Environmental and regulatory services Planning Services Highways and Transport Services Housing – Council Fund Corporate and Democratic Core Non distributed Costs Total	To correctly disclosure gross income of the Council net of internal recharges See paragraphs 21 and 22 of the report

£88,000	Note 8 – Assets Held for Sale (AHFS) The calculation of gain on disposal of council dwellings was incorrectly calculated as the assets had been re-valued within AHFS rather than within PPE prior to transfer into AHFS	To correctly account for the disposal of council dwellings
£286,000	Note 15 – Cash and cash equivalents, cash overdrawn The cash overdrawn was not fully reconciled to the accounts and did not include the balance brought forward from 2013-14 which was included within cash and cash equivalents balances	To correct the cash overdrawn figure disclosed in the accounts
£352,000	Note 15 – Cash and cash equivalents In addition to the above adjustment for the cash overdrawn balance, amendments were made for the incorrect treatment of insurance prepaid contributions at the year end. This included a £17,000 adjustment to correct prior year figures which impacted on the Cost of Services net expenditure in the CI&E	To correct the cash and cash equivalents within the accounts
£337,000	Note 18 - Grant income, credited to taxation and non specific grant income Reclassification o f two loans received from the Welsh Governments as long term liabilities	To comply with disclosure requirements
£3,029,000	Note 19 - Provisions Reclassification of Equal Pay provision from long term provisions to short term provisions	To reflect the expected timing of the financial outlay
£1,039,000	Note 13 - Short Term Debtors Within the note, the bad debt provision for NNDR had been incorrectly netted off gross debtors	To comply with disclosure requirements
Various amendments	Note 27 – Officers remuneration report A number of minor amendments were made to correctly reflect the information including restatement of the ratio of remuneration	To ensure accurate disclosure
Various amendments	Note 34 – Joint arrangements Correction and additional disclosures of joint arrangements	To clearly reflect joint arrangements in place
Various	Note 36 – contingent liabilities	To fully reflect all contingent

amendments	Additional disclosures of contingent liabilities	liabilities
Narrative disclosure	Note 38 – Prior year adjustment capital expenditure on non current asset Increased disclosure of the impact on the financial statements of the restatement to the prior year figures	To comply with disclosure requirements
Various amendments	Various notes Restatement of prior year comparatives in line with the 2013-14 certified financial statements to comply with the requirements of IAS1.	To ensure accurate disclosure
Narrative disclosure	Note 31 – Audit Fees Add additional disclosure re the audit rebate of £71,000	To inform the reader
Narrative disclosure	Explanatory Foreword Additional explanation to allow comparison of information between the foreword and notes to the accounts	To inform the reader

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Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

Clwyd Pension Fund

Audit year: 2014-15

Issued: September 2015

Document reference: 505A2015

Status of report

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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 the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

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The Auditor General intends to issue an unqualified audit report on Clwyd Pension Funds financial statements however there are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Clwyd Pension Fund at 31 March 2015 and its income and expenditure for the year then ended.

2. 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.

3. The gross assets controlled by Clwyd Pension fund amount to £1.4 billion. The quantitative level at which we judge such misstatements to be material for the Clwyd Pension Fund is £13.945 million. 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.

4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action to be taken, should there be any required.

5. This report sets out for consideration the matters arising from the audit of the financial statements of Clwyd Pension Fund, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 before the statutory deadline of 30 June 2015, and have now substantially completed the audit work. However, as part of our audit we receive assurances from the auditors or the various investment funds that hold investments on behalf of the pension fund. At the time of writing we are still awaiting independent valuations for four investments amounting to £5.9 million.

7. 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 Gary Ferguson, Corporate Finance Manager.

Proposed audit report

8. It is the Auditor General'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.

9. The proposed audit report is set out in Appendix 2. The pension fund is included within the Council's main financial statements and therefore the opinion shown is that proposed for the Council's main financial statements incorporating the pension fund.

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There were two substantive 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. There were also a number of other presentational amendments made to the accounts during the audit process.

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. There were some issues arising in these areas this year

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

13. We have two concerns about the qualitative aspects of your accounting practices and financial reporting:

- Monthly reconciliations of the transactions relating to lump sums and death benefit pension payments between the financial ledger and the pensions administration system are performed. On review of the reconciliations we identified a number of differences that had not been explained or corrected. It is essential that the records in both systems are reconciled on a regular basis and the differences corrected in the relevant system to ensure that transactions are both accurate and complete.
- In preparing a set of financial statements, it is important that there is a detailed closedown plan that clearly sets out the specific tasks and timetable during the preparation window. Whilst Flintshire County Council's accounts closedown plan does cover aspects of the Clwyd Pension Fund accounts preparation, it would be beneficial if a separate and specific closedown plan for the Pension Fund were set and adhered to.

There are no other matters that we need to report to you

14. There are no other matters to report to you. In particular:

- 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; and
- there are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2014-15 financial audit work

15. The key recommendations arising from our financial audit work are set out in Appendix 4. Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

16. As part of the finalisation process, we are required to provide you with representations concerning our independence.

17. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Clwyd Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

Representations regarding the 2014-15 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 2015 for the purpose of expressing an opinion on their truth and fairness.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

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.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, 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

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 24 September 2015.

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

Date ……………………………..	Date ……………………………..
Gary Ferguson	**Ray Hughes**
Corporate Finance Manager (Chief Finance Officer)	**Chair to the Council**

Appendix 2

Auditor General for Wales' 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 2015 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 2014-15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Clwyd Pension Fund's accounting statements, 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 Financial Reporting Council'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'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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 2015 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 2014-15.

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 the Clwyd Pension Fund during the year ended 31 March 2015 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 2014-15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword 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 following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
Xx September 2015

Appendix 3

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
£1,910,776	Difference in Private equity holdings from valuations at the time the draft accounts compiled, to year-end valuations received during the audit. This affects a number of notes in the accounts.	To ensure Private Equity balances reflected the most up to date valuations.
£1,052,268	Increase in lump sum accruals based on more recent information than was available at year-end.	To correctly accrue for retirement liabilities up to 31 March.

Appendix 4

Recommendations arising from our 2014-15 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Matter arising 1 – Accounts preparation closedown plan	
Findings	The accounts preparation closedown plan for the pension fund is currently incorporated into the Flintshire County Council closedown plan and contains only brief instructions specific to the pension fund.
Priority	Medium
Recommendation	The Pension Fund should consider establishing a specific, detailed closedown plan.
Benefits of implementing the recommendation	A detailed description of the processes required to produce the financial statements will ensure that the pension fund would assist the timely production of the pension fund accounts.
Accepted in full by management	Yes
Management response	Agreed
Implementation date	March 2016

Matter arising 2 – Reconciliation of the ledger to the pension admin system (Altair)	
Findings	We identified that transactions relating to lump sum/death benefit pension payments in the ledger did not agree fully to those recorded within the pension admin system.
Priority	Medium
Recommendation	Ensure that the differences identified within the reconciliations between the ledger and the pensions admin system are corrected within the relevant system to ensure accuracy and completeness of financial records.
Benefits of implementing the recommendation	The pension fund would have assurance over the completeness and accuracy of lump sum/death benefit payments in both the ledger and the financial statements.
Accepted in full by management	Yes
Management response	Agreed. Discussions commencing October 2015.
Implementation date	By March 2016

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24 Cathedral Road
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

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Gary Ferguson
Chief Finance Officer
Prif Swyddog Cyllid

CYNGOR Sir y Fflint Flintshire COUNTY COUNCIL

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

Your Ref/Eich Cyf	
Our Ref/Ein Cyf	LOR 14.15
Date/Dyddiad	24 September 2015
Ask for/Gofynner am	Liz Thomas
Direct Dial/Rhif Union	01352 702289
Fax/Ffacs	01352 700149

Dear Sir,

Representations Regarding the 2014/15 Financial Statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Local Government Code of Practice on Local Authority Accounting in the United Kingdom; 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.

County Hall, Mold. CH7 6NB
www.flintshire.gov.uk
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Information Provided

We have provided you with:

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

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.

- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;

- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;

- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial Statement Representations

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

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

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

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

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

The financial statements are free of material misstatements, 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

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 24th September 2015.

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

We accept the findings of the audit of the accounts and will take appropriate actions to make improvements in the areas raised.

In relation to the adjustments required on the CIES/Segmental Reporting note the issues arose from the way some information was presented within the Council's financial system, although the net position to the Council was unaffected. Changes will be commenced immediately in the Council's financial system well in advance of the closure of the 2015/16 accounts.

In relation to the issues raised on reviewing the accounts, the timetable to manage the closure of accounts will be amended to build in additional review time.

Signed by:

Gary Ferguson
Corporate Finance Manager (Chief Finance Officer)

Date: 24th September 2015

Signed by:

Ray Hughes
Chair to the Council

Date: 24th September 2015

Gary Ferguson
Chief Finance Officer
Prif Swyddog Cyllid

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

Your Ref/Eich Cyf	
Our Ref/Ein Cyf	LOR 14.15
Date/Dyddiad	24 September 2015
Ask for/Gofynner am	Liz Thomas
Direct Dial/Rhif Union	01352 702289
Fax/Ffacs	01352 700149

Dear Sir,

Representations Regarding the 2014/15 Financial Statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

County Hall, Mold. CH7 6NB
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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

- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial Statement Representations

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

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

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

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

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

The financial statements are free of material misstatements, 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

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 24th September 2015.

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

Signed by:	Signed by:
Gary Ferguson **Corporate Finance Manager (Chief Finance Officer)**	**Ray Hughes** **Chair to the Council**
Date: 24th September 2015	Date: 24th September 2015

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RESERVES AND BALANCES PROTOCOL

1.00 INTRODUCTION AND BACKGROUND

1.01 The purpose of this protocol is to set out how the Council will determine, manage and review the level of its Council Fund Balance and Earmarked Reserves taking into account relevant legislation and professional guidance.

1.02 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed to meet estimated spending when calculating the budget requirement. Section 25 of the Local Government Act 2003 requires:-

- the Chief Finance Officer to report to members on the budget including the adequacy of reserves; and
- Members to have regard to the Chief Finance Officer's (Section 151 Officer) report in making their decisions.

1.03 Revenue reserves are an integral part of ensuring sound financial management in an organisation and it is essential that they are considered as part of its medium term financial planning arrangements and its consideration of preparing the annual budget.

1.04 The Council's Financial Procedure Rules which were updated in July 2015 refer to the Council's arrangements in relation to the maintenance of reserves and this protocol sets out more detail as to the Council's requirements to ensure that the Council's Financial Procedure Rules are supported and adhered to.

2.00 TYPES OF RESERVES

The Council maintains the following 'usable' revenue reserves:

2.01 Council Fund Reserve

The purpose of the Council Fund Reserve is to manage the impact of any significant unforeseen events and historically the Council's policy has been to maintain a level equivalent to 2% of its annual budget.

Any resources in excess of this base level are referred to as the contingency reserve and are available for delegation to Cabinet. The Contingency Reserve is increased by way of any overall underspend at the end of the financial year (or reduced by way of an end of year overspend)

Cabinet make decisions around the use of the contingency reserve following the principle that 'one-off' reserves should be used either to fund; 'one-off and time limited' expenditure or to provide transitional funding in relation to the part year effect of any efficiency saving that cannot be implemented in time to enable a full year efficiency saving.

The Council fund reserve, including the contingency reserve, is reviewed for adequacy annually as part of the budget setting process and is reported monthly to Cabinet and Corporate Resources Scrutiny Committee through the revenue budget monitoring cycle.

2.02 Earmarked Reserve

The purpose of earmarked reserves are to meet known or predicted future requirements and are held corporately or within individual service portfolios for specific purposes. These reserves are typically established to address temporary need and considered on a risk basis and also include funding required to be carried forward to the following financial year as approved through the monthly monitoring report by Cabinet. As with all reserves they should only be established to meet one-off and time limited expenditure.

The Council's Earmarked Reserves includes an Insurance reserve which provides for past and on-going costs of the Councils insurance arrangements. The Council self insures to some extent and as required sets money aside to meet its share of claim costs.

2.03 Schools' Reserves

School reserves are funds released under delegated budgets unspent at year end and held by the Council on schools behalf. The Governing Body of a School is tasked with ensuring their school maintains an adequate level of reserves. Guidance is issued to all schools through the Scheme for Financing Schools.

2.04 Housing Revenue Account (HRA) Reserve

The HRA reserve is ring fenced in the same way that the HRA budget is a ring fenced account and can only be used for activity in relation to the management and maintenance of housing. Historically Flintshire's policy has been to maintain the HRA reserve at a prudent level which is currently a minimum of 3% of total HRA expenditure.

The HRA reserve is reviewed for adequacy annually as part of the budget setting process and is reported monthly to Cabinet and Corporate Resources Scrutiny Committee through the revenue budget monitoring cycle.

3.00 PROTOCOL FOR EARMARKED RESERVES

3.01 It is the responsibility of the Chief Finance Officer (Section 151) to advise local authorities on the level of reserves held taking into account the strategic financial context that the council will be operating in over the medium term as detailed in its Medium Term Financial Strategy (MTFS).

3.02 For each Earmarked Reserve there needs to be a clear protocol which sets out:

° The purpose and amount of the Reserve
° How and when the reserve will be utilised (drawn down)
° The process for the reserve's management and control
° A process and timescale for review.

3.03 The creation of a new earmarked reserve will require Cabinet approval which will be actioned through the monthly budget monitoring report at the relevant point in the financial year. Cabinet will approve the amount, the purpose and an estimated timeframe for when the reserve is expected to be drawn down.

3.04 The Earmarked Reserve must be used for the specific purpose approved by Cabinet. Should the Chief Officer wish to amend the purpose then further approval by Cabinet through the monthly budget monitoring report is required.

3.05 Once the estimated timeframe approved for the reserve has elapsed, there will be an expectation that the balance of the reserve will be transferred back to increase the level of contingency reserve available. Any subsequent request to retain the reserve would be subject to approval by Cabinet.

4.00 MONITORING AND REPORTING OF RESERVES AND BALANCES

4.01 In considering all reserves, the Section 151 Officer will have regard to relevant matters in respect of each reserve, and will advise the Council accordingly. The process for the determination of all reserves will be based upon the principles of transparency and effective overall financial management.

4.02 All earmarked reserves are recorded on a central schedule held by the Accountancy Section which lists the various reserves and the purpose for which they are held. The schedule includes the opening balances for the year, planned additions/withdrawals and the estimated closing balance.

4.03 Any appropriations to or from Earmarked Reserves are controlled in accordance with Finance Procedure Rules during the year. Appropriate working papers for each reserve are produced at year-end and provided to the External Auditor to support the disclosures within the Statement of Accounts.

4.04 A summary of the latest position in relation to reserves will be reported quarterly to Cabinet and Corporate Resources Overview and Scrutiny Committee through the monthly monitoring report.

Reserves can only be used once and so should not normally be held to fund ongoing expenditure. This would be unsustainable at the point a reserve is fully exhausted.

FLINTSHIRE COUNTY COUNCIL

REPORT TO:	**FLINTSHIRE COUNTY COUNCIL**
DATE:	**THURSDAY, 24th SEPTEMBER 2015**
REPORT BY:	**CORPORATE FINANCE MANAGER**
SUBJECT:	**SUPPLEMENTARY FINANCIAL INFORMATION TO STATEMENT OF ACCOUNTS 2014/15**

1.00 PURPOSE OF REPORT

1.01 To provide Members with requested supplementary financial information to accompany the Statement of Accounts 2014/15.

2.00 BACKGROUND

2.01 Flintshire County Council approved the following notice of motion on 29th January 2013:

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

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

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

2.02 This information was presented as an accompaniment to the 2012/13 Statement of Accounts and Members requested that the report became an annual report presented in conjunction with the Statement of Accounts.

This report contains the information requested above in respect of financial year 2014/15.

3.00 CONSIDERATIONS

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

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

3.02 Table 1 contains costs (including termination benefits where applicable) for council employees only. For the purpose of this report council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.

As the notice of motion requests, the detail of any council employee already included in the 'Senior Employee Emoluments' note in the Statement of Accounts 2014/15 has not been included.

3.03 Table 2 shows the number of interim or temporary arrangements in place to cover posts during 2014/15, which has reduced from the previous year. Where such arrangements are in place, the Council has procured the services of individuals to fulfil the requirements of the post through a contract with another organisation. The Council paid the organisation, and that organisation employed and paid a salary to the individual. Table 2 shows the amounts paid to those organisations for such arrangements in 2014/15. Please note these amounts DO NOT reflect the individuals' salaries.

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

It is important that Members note that actual costs incurred by the Council in 2014/15 on consultants and non-permanent posts are in bold in the third column in table 3.

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

3.05 Flintshire County Council leads on a number of collaborative projects with partner Local Authorities, examples include; the North Wales Regional Waste Treatment Project and Regional Emergency Planning service. Members are advised that the information supplied in appendix 1 does not include the costs of any individual working for joint arrangements, given that the expenditure has been incurred by the partnership and not Flintshire. Joint arrangements that are set up as Joint committees publish their own separate accounts.

4.00 RECOMMENDATIONS

4.01 Members note the contents of this report.

5.00 FINANCIAL IMPLICATIONS

5.01 None as the report is retrospective.

6.00 ANTI POVERTY IMPACT

6.01 None

7.00 ENVIRONMENTAL IMPACT

7.01 None

8.00 EQUALITIES IMPACT

8.01 None

9.00 PERSONNEL IMPLICATIONS

9.01 None

10.00 CONSULTATION REQUIRED

10.01 None

11.00 CONSULTATION UNDERTAKEN

11.01 None

12.00 APPENDICES

Appendix 1 – Supplementary financial information to Statement of Accounts 2014/15

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Various final accounts working papers

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SUPPLEMENTARY FINANCIAL INFORMATION TO STATEMENT OF ACCOUNTS 2014/15

TABLE 1 - COUNCIL EMPLOYEES

Post Title	Note	Remuneration (excluding Employers Pension Contributions)	Employers Pension Contributions	Annualised Pay (where applicable)
		£	£	£
Principal Learning Advisor - Primary		60,696	0	
Principal Learning Advisor - Secondary		62,251	0	
Head of Regeneration		63,626	5,099	112,978
Head of Culture and Leisure		66,519	5,099	111,603
Head of Development and Resources		66,903	0	112,978
Housing Strategy Manager		67,290	0	104,648
Principal Accountant (Waste)		139,150	0	

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

Post Title	Note	Cost	Theoretical Annual Costs
		£	£
Interim Facilities Manager	1	23,920	124,800

Note 1: Arrangement ceased in June 2014

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

APPENDIX 1

SUPPLEMENTARY FINANCIAL INFORMATION TO STATEMENT OF ACCOUNTS 2014/15

TABLE 3 - CONSULTANTS AND NON-PERMANENT POSTS 2014/15

Portfolio	Description	Actual Cost Incurred	Theoretical Annual Costs
Education and Youth	Commercial Review of Children's Services	10,234	164,450
Education and Youth	Caseload Supervision	700	76,960
Education and Youth	Professional Counselling	350	64,127
Education and Youth	Supervision	495	70,534
Education and Youth	Supervision	1,280	76,960
People and Resources	Project Manager Single Status	34,000	96,000
People and Resources	Project Manager Finance Service Modernisation	16,944	96,000
People and Resources	Counselling Services	19,155	62,160
People and Resources	Doctor - Occupational Health Physician	39,900	228,000
Governance	E-Procurement Project	16,572	156,000
Governance	E-sourcing and E-invoicing Project Management	95,631	95,631
Governance	Education ICT review	19,750	120,000
Governance	System Centre consultancy	20,250	180,000
Social Services	Lead Childrens/Safeguarding Interim	28,500	144,000
Social Services	Events facilitation and support for ADM's	16,750	108,000
Social Services	Temporary change Advisor - Children's Services	12,000	96,000
Social Services	Staff consultations - Children's Services	3,560	72,000
HRA / Community & Enterprise	SHARP Procurement Manager	135,663	183,703
HRA / Community & Enterprise	Single Access Route to Housing - Project	13,252	216,000
HRA / Community & Enterprise	Empty Homes Devlopment Officer	5,443	63,936
Total		**490,429**	

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

FLINTSHIRE COUNTY COUNCIL

REPORT TO:	**FLINTSHIRE COUNTY COUNCIL**
DATE:	**THURSDAY, 24TH SEPTEMBER 2015**
REPORT BY:	**CORPORATE FINANCE MANAGER**
SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2014/15**

1.00 PURPOSE OF REPORT

1.01 To present to Members the Annual Treasury Management Report for 2014/15.

2.00 BACKGROUND

2.01 The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice, which requires Council to approve a treasury management investment strategy before the start of each financial year, a mid year report, and an annual report at the end of each financial year.

2.02 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for execution and administration of treasury management decisions to the Corporate Finance Manager, who acts in accordance with the Council's Treasury Management Policy Statement, Strategy and Practices.

2.03 On 18th February 2014, the Council approved the Treasury Management Strategy 2014/15, following the recommendation of the Cabinet and consideration by the Audit Committee. The Annual Report reviews the activities and performances of the treasury management operations during 2014/15 and compares this with the Policy, Strategy and Practices.

2.04 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies.

3.00 CONSIDERATIONS

3.01 The Treasury Management Annual Report for 2014/15 is attached as Appendix 1 for approval. As required by the Council's Financial Procedure Rules, this Annual Report was reviewed by Audit Committee on 15th July 2015 and approved and recommended to Council by Cabinet on 15th September 2015.

Summary of Key Points

3.02 The UK bank base interest rate again remained at its historic low of 0.5% throughout the year. This was reflected in the low level of interest that the Council was able to generate on its investments; the average interest rate for investments during the year was 0.54%. Section 2 of the annual report provides a review of the economy and interest rates, and Section 4 provides further details of the Council's investment activity during the year.

3.03 No new borrowing was undertaken during the year; the Council continued to use cash reserves to fund capital expenditure in place of new borrowing. Debt rescheduling opportunities were considered by officers and the Council's Treasury Management advisors. However, the premia charged for repaying high interest rate debt or replacing it with debt at a lower interest rate was deemed too expensive and therefore made any debt rescheduling unattractive. Section 3 of the annual report provides more information on borrowing and debt management during the year.

3.03 The treasury function operated within the limits detailed in the Treasury Management Strategy 2014/15.

4.00 RECOMMENDATIONS

4.01 That the Council approves the Annual Treasury Management Report for 2014/15.

5.00 FINANCIAL IMPLICATIONS

5.01 As set out in the Annual Report.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 Arlingclose Ltd. as Treasury Management Advisors.

11.00 CONSULTATION UNDERTAKEN

11.01 Arlingclose Ltd. as Treasury Management Advisors.

12.00 APPENDICES

12.01 Annual Treasury Management Report 2014/15.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Treasury Management Policy Statement 2013-2016
Treasury Management Investment Strategy 2014/15
Treasury Management Practices 2013-2016
Schedule of temporary investment transactions 2014/15
Approved Counterparty list as at 31st March 2015.

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APPENDIX 1

FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

ANNUAL REPORT 2014/15

1.00 INTRODUCTION

1.01 The Council approved the Treasury Management Strategy (Strategy) 2014/15 including key indicators, limits and an annual investment strategy on 18th February 2014.

1.02 The Strategy was produced based on the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice.

1.03 The purpose of this report is to review the outcomes from 2014/15 treasury management operations and compare with the Strategy.

1.04 Treasury management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2.00 ECONOMIC & INTEREST RATE REVIEW 2014/15

Provided by Arlingclose Ltd the Council's Treasury Management advisors.

Growth and Inflation: The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to $44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market: The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy: The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by $10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough the weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

3.01 PWLB (Public Works Loans Board) Certainty Rate

The Council again qualified for the PWLB Certainty Rate, allowing the authority to borrow at a reduction of 20bps on the Standard Rate.

3.02 Borrowing Activity in 2014/15.

The total long term borrowing outstanding, brought forward into 2014/15 totalled £172.1 million. Loans with the Public Works Loans board were in the form of fixed rate (£143.2m) and variable rate (£10m). The remaining £18.95m was variable in the form of LOBO's (Lender's Option, Borrower's Option). The Council's average borrowing rate throughout the year was 5.41%.

	Balance 01/04/2014 £m	**Debt Maturing £m**	**New Debt £m**	**Balance 31/03/2015 £m**
Capital Financing Requirement	**188.4**	**-**	**-**	**190.4**
Short Term Borrowing	0.00	0.00	0.00	0.00
Long Term Borrowing	**172.1**	**0.00**	**0.00**	**172.1**
TOTAL BORROWING	172.1	0.00	0.00	172.1
Other Long Term Liabilities	7.6	0.5	0.00	7.1
TOTAL EXTERNAL DEBT	**179.7**	**0.5**	**0.00**	**179.1**
Increase/(Decrease in Borrowing (£m)	**-**	**-**	**-**	**(0.5)**

3.03 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31st March 2015 was £190.4m. The Council's total external debt was £179.1m.

3.04 No new long term borrowing was undertaken during 2014/15.

3.05 Loans at Variable Rates

The Council has £10m of PWLB variable rate loans, at an average rate of 0.59% which mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

3.06 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at around 3.42%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £10.29m of capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. However, this position is not sustainable and the Council expects it will need to borrow for capital purposes from 2015/16 onwards.

3.07 Lender's Option Borrower's Option Loans (LOBOs)

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the year, none of which were exercised by the lender.

3.08 Debt Rescheduling

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence. However, The Chief Finance Officer, along with the Council's Treasury Management Advisors, keeps under review any opportunities which may arise for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

3.09 Abolition of the PWLB

In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

3.10 Welsh HRA Subsidy Reform

The Housing (Wales) Act 2014 became law in Wales on 17th September 2014 and provided for the abolition of the negative Housing Revenue Account Subsidy (HRAS) system. The Authority was required to buy itself out of the current arrangement by making ‘settlement payments’ to the Welsh Government. In return the Authority will be able to keep all future rental revenues generated from the housing stock. A cap has been set by the Welsh Government for how much the Authority can continue to borrow for the HRA in the future. The Authority was required to enter into a Voluntary Agreement with Welsh Ministers under section 80B of the Local Government and Housing Act 1989. This Agreement set out all the terms and conditions of settlement.

The Authority was required to make an application for loans totalling £79.2m on the morning of 31st March 2015. As part of the settlement, the Authority was required to borrow for the full settlement amount from the PWLB at special Welsh HRA Subsidy Reform interest rates. These were set at a margin above PWLB Standard rates due to the methodology adopted by the Welsh Government and HM Treasury in determining the settlement amounts. The Authority was required to draw down loans that would deliver a minimum interest payment to the PWLB of £3.3m for each of the first five years following settlement.

Receipt of funding from the PWLB took place on 2 April 2015 on which date the Authority was required to make its settlement payment to the Welsh Government to exit the HRA Subsidy system.

4.00 INVESTMENT ACTIVITY

4.01 The Welsh Assembly Government's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

4.02 Investment Activity in 2014/15

Summary of investments as at 31st March 2015.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS	7.0	4.0	3.0	
UK BUILDING SOCIETIES	9.2	4.2	5.0	
OVERSEAS	5.0	5.0		
MMF's				
LOCAL AUTHORITIES	6.0	4.0	2.0	
DMO	21.7	21.7		
TOTAL	**48.9**	**38.9**	**10.0**	**0.0**
% OF PORTFOLIO		79.5%	20.5%	0.0%
TARGET 2014/15		35%	55%	10%

4.03 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Strategy for 2014/15. Investments during the year included:

- Deposits with the Debt Management Office
- Deposits with other Local Authorities
- Investments in AAA-rated Constant Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies

4.05 Credit Risk

The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Authority for the 2014/15 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

4.06 Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Authority's lending list], is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority, therefore increasingly favoured secured investment options or diversified alternatives such as T-bills and pooled funds over unsecured bank and building society deposits.

4.07 Liquidity

In keeping with the WG's Guidance on Investments, the Authority maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

4.08 Yield

The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.

Income earned on £2m of longer-dated investments made in 2013/14 at a rate of 0.95% provided some cushion against the low interest rate environment.

The Authority's budgeted investment income for the year had been estimated at £300k. The average cash balances were £61.7m during the period and interest earned was £323k, at an average interest rate of 0.54%.

5.00 COMPLIANCE

5.01 The Council can confirm that it has complied with its Prudential Indicators for 2014/15, which were approved on 18th February 2014 as part of the Council's Treasury Management Strategy.

5.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

5.03 The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2014/15.

6.00 OTHER ITEMS

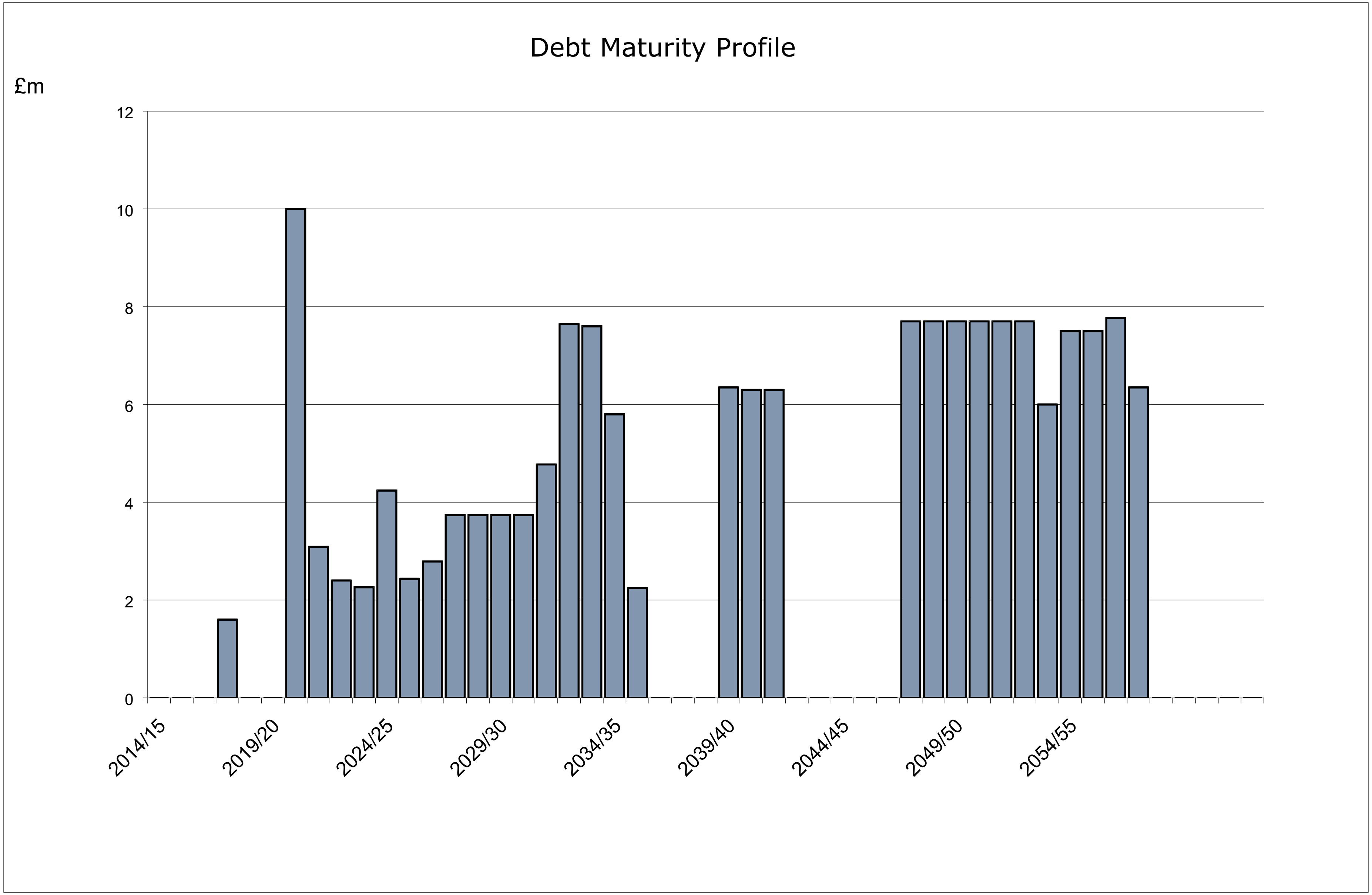
6.01 The following were the main treasury activities during 2014/15:

- The Chief Finance Officer received a monthly update on treasury activities.
- The Council received a Mid-Year Report on 27th January 2015.
- Quarterly updates reports were presented to the Audit Committee.
- All Members were invited to a training session undertaken by Arlingclose Ltd on 21st January 2015, which was hosted by Audit Committee.
- The 2015/16 Statement was approved by Council on 17th February 2015.
- The Council continues to be an active member of the CIPFA Treasury Management Network.
- The Council's cash flow was managed on a daily basis. During the year the Authority acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time was £75.2m and the maximum long-term borrowing at any one time was £172.1m.

7.00 CONCLUSION

7.01 The treasury management function has operated within the statutory and local limits detailed in the 2014/15 Treasury Management Strategy.

7.02 The Policy was implemented in a pro-active manner with security and liquidity as the focus.


Debt Maturity Profile
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2029/30
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2054/55

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FLINTSHIRE COUNTY COUNCIL

REPORT TO:	**FLINTSHIRE COUNTY COUNCIL**
DATE:	**THURSDAY, 24 SEPTEMBER 2015**
REPORT BY:	**CHIEF EXECUTIVE**
SUBJECT:	**CONSULTATION ON ELECTORAL REVIEWS FOR MERGED AUTHORITIES**

1.00 PURPOSE OF REPORT

1.01 To agree a Council response to the Welsh Government consultation on electoral arrangements for merged authorities.

2.00 BACKGROUND

2.01 Welsh Government has recently issued a consultation paper on the electoral arrangements for the intended future merging of local authorities. The paper covers key issues including the total number of councillors for each merged authority and benchmark councillor:elector ratios. The closing date for responses is 9 November 2015. The consultation questions are attached at Appendix 1.

2.02 The Welsh Local Government Association (WLGA) have provided some initial guiding comments which are attached at Appendix 2. The WLGA proposed response will be discussed and agreed its Co-ordinating Committee to be held on 30 October 2015.

3.00 CONSIDERATIONS

3.01 A key consideration during any electoral review is the councillor:elector ratio which impacts on the size and possible grouping of wards. Ratios will also determine the total overall number of councillors on a local authority.

3.02 Welsh Government is proposing a ratio of 1 councillor:4000 electors. This compares to the current ratio of approximately 1:1691 in Flintshire and 1:1806 across Wales as a whole.

3.03 By comparison when the new whole county unitary authorities were created in 2009 the projected ratios (allowing for anticipated growth) were as follows:

County	Ratio at time of review	Anticipated ratio after growth
Cornwall	3,334	3,537
Durham	3,234	3,268
Shropshire	3,121	3,321
Wiltshire	3,525	3,695

3.04 Further advice will be given at the meeting to inform the debate.

4.00 RECOMMENDATIONS

4.01 That Council delegates authority to respond to the consultation paper to the Chief Executive in consultation with the Leader to make a final written response based on the discussion at the meeting.

5.00 FINANCIAL IMPLICATIONS

5.01 None.

6.00 ANTI POVERTY IMPACT

6.01 Adequate democratic representation is a key foundation to ensuring that the potential impact of future actions or issues such as poverty, the environment and equalities is properly scrutinised and that the views of communities are heard.

7.00 ENVIRONMENTAL IMPACT

7.01 As 6.01.

8.00 EQUALITIES IMPACT

8.01 As 6.01.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 This is a public consultation by Welsh Government so everyone may comment.

11.00 CONSULTATION UNDERTAKEN

11.01 All county councillors.

12.00 APPENDICES

12.01 Appendix 1 – Consultation Questions

Appendix 2 – WLGA Initial Comments

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS
As referred to in the report.

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APPENIDIX 1

CONSULTATION QUESTIONS

- Question 1: Do you think the suggested ratio provides for effective and convenient local government?

- Question 2: Do you think there is a minimum number of councillors required to ensure the effective and democratic working of a local authority? If so, what is it and why?

- Question 3: Do you think a minimum number of elected members per local authority should be specified in the Draft Directions?

- Question 4: Do you think that there should be a cap on the maximum number of elected members per local authority? If so, what do you think the maximum number should be and why?

- Question 5: Do you agree that each ward within a local authority area should have roughly the same number of electors per elected member?

- Question 6: What effect should the particular characteristics of an area have on the number of councillors needed to represent the population?

- Question 7: Do you agree that commonly used Welsh language names for wards do not also need an English language equivalent? If not, do you think that each ward should have an English and Welsh name?

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APPENDIX 2

Summary:

The draft directions suggest that no council should have an overall ratio of less than 1 councillor per 4,000 electors, which will mean that there will be at least 616 councillors in Wales following the mergers (from the current 1248) and councils ranging from 33 councillors (in a merged Anglesey/Gwynedd) to 109 councillors (in the new Gwent). The attached table shows the potential council sizes following mergers.

Initial Concerns:

Early feedback suggests that in addition to the issues of the potential size of some new wards and the number of councillors in some councils, there is a particular concern about the implication of the Direction stating that new wards should be based on a grouping of 2 or more existing wards. This presents a number of challenges:

- some existing wards may already have the appropriate 1:4,000 ratio, but the direction appears to preclude them from continuing in their current form;
- merging 2 or more existing wards will mean it will be difficult for the Commission to achieve its main statutory aim (as per the current Local Government Bill) of achieving consistency/parity of councillor: elector ratios across a new principal council area; and
- merging 2 or more existing wards in an arbitrary approach may run counter to the main direction that the Commission should follow which is to take into account the 'particular characteristics of an area' when creating new wards.

Timetable

The timescale for the mergers and initial reviews remain challenging and, whilst the Commission remains confident that they can be achieved by the proposed deadlines, leave little room for delays. Below is a broad timetable (dates in italics are based on the latest available information):

- 9th November 2015 – Consultation closes on draft Directions to Boundary Commission regarding Initial Reviews
- *November 2015* – Local Government (Wales) Bill receives Royal Assent
- *November 2015* – Further brief consultation on final draft Directions to Boundary Commission regarding Initial Reviews
- *January/February 2016* – Directions to the Boundary Commission are formally 'made'
- *March/April 2016* (within 2 months of the Directions being made) – Boundary Commission publishes a timetable for the programme of initial reviews
- *Spring 2016* – Boundary Commission develops and consults on its 'Policy and Practice' (as per S19(2) of the Local Government (Wales) Bill 2015)
- *Early Summer 2016* – Boundary Commission publishes its final 'Policy and Practice' and begins initial reviews, probably on a phased approach (with North Wales likely to be later in the timetable until WG confirms whether there will be 2 or 3 councils in North Wales)
- By 31st July 2018 – Boundary Commission submits reports to Ministers on initial reviews

Option 1 - 3 Local Authorities in North Wales

Merging Authorities	Total electors (2015 local government electorate figures)	Total Electors for Proposed new Council	Minimum Number of Councillors for Proposed new Council (based on ration of 1:4,000)	Current Councillor Numbers
Gwynedd	81,672			
Isle of Anglesey	50,352	132,024	**33**	105
Conwy	93,051			
Denbighshire	76,087	169,138	**42**	106
Flintshire	118,439			
Wrexham	103,408	221,847	**55**	122
Ceredigion	54,773			
Carmarthenshire	141,025			
Pembrokeshire	92,189	287,987	**72**	176
Blaenau Gwent	51,987			
Caerphilly	132,157			
Torfaen	70,073			
Newport	107,135			
Monmouthshire	73,180	434,532	**109**	250
Swansea	181,167			
Neath Port Talbot	106,621	287,788	**72**	132
Bridgend	104,300			
Merthyr Tydfil	43,968			
Rhondda, Cynon, Taf	175,682	323,950	**81**	162
Cardiff	253,607			
The Vale of Glamorgan	96,756	350,363	**88**	122
*Powys**	*103,822*	*103,822*	***64***	73
Wales	**2,254,219**		**616**	**1248**
Average Size Council			**68**	

Option 2 – 2 Local Authorities in North Wal

Merging Authorities	Total electors (2015 local government electorate figures)	Total Electors for Proposed new Council	Minimum Number of Councillors for Proposed new Council (based on ration of 1:4,000)	Current Councillor Numbers
Gwynedd	81,672			
Isle of Anglesey	50,352			
Conwy	93,051	225,075	**56**	164
Denbighshire	76,087			
Flintshire	118,439			
Wrexham	103,408	297,934	**74**	169
Ceredigion	54,773			
Carmarthenshire	141,025			
Pembrokeshire	92,189	287,987	**72**	176
Blaenau Gwent	51,987			
Caerphilly	132,157			
Torfaen	70,073			
Newport	107,135			
Monmouthshire	73,180	434,532	**109**	250
Swansea	181,167			
Neath Port Talbot	106,621	287,788	**72**	132
Bridgend	104,300			
Merthyr Tydfil	43,968			
Rhondda, Cynon, Taf	175,682	323,950	**81**	162
Cardiff	253,607			
The Vale of Glamorgan	96,756	350,363	**88**	122
*Powys**	*103,822*	*103,822*	***64***	73
Wales	**2,311,451**		**616**	**1248**
Average Size Council			**77**	

**Powys, as a 'continuing authority' is not included in the Direction for 'Initial Reviews' and the consultation paper states that the 2011 Electoral Review will be implemented ahead of the 2017 elections, providing Powys with 64 members. Powys will however be the first council to be reviewed under the Commission's 10 year cycle following mergers; the criteria for this review may be subject to a further Ministerial Direction, however, if the same 1:4000 ratio was applied, Powys would have 26 councillors.*

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